THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Neptune Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NEPTUNE GROUP LIMITED
海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00070)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITIONS OF (1) 30% OF THE EQUITY INTEREST IN AND THE SHAREHOLDER'S LOAN OWING BY EVER PRAISE ENTERPRISES LIMITED; AND (2) THE ENTIRE EQUITY INTEREST IN AND THE SHAREHOLDER'S LOAN OWING BY HARBOUR BAY HOTELS LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular unless otherwise stated.

A letter from the Board is set out on pages 5 to 19 of this circular.

A notice convening the EGM to be held on Tuesday, 20 June 2017 at 11:00 a.m. at Meeting Room of Soho 1, 6/F, Ibis Hong Kong Central & Sheung Wan, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM or any adjournment thereof (as the case may be), you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it at the Company's share registrar and transfer office in Hong Kong at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish.

29 May 2017

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisitions"	collectively, the EP Acquisition and the HB Acquisition
"Best Fit"	Best Fit Development Limited, a company incorporated in the BVI with limited liability
"Board"	the board of the Directors
"Business Day"	any day (excluding a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for business
"BVI"	British Virgin Islands
"Company"	Neptune Group Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 70)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held on Tuesday 20 June 2017 at 11:00 a.m. at Meeting Room of Soho 1, 6/F, Ibis Hong Kong Central & Sheung Wan, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong, notice of which is set out on pages EGM-1 to EGM-2 of this circular for the purpose of considering and, if though fit, approving the EP Acquisition Agreement and the HB Acquisition Agreement and the respective transactions contemplated thereunder
"Enlarged Group"	the Group upon EP Completion and HB Completion
"EP Acquisition"	the acquisition of the EP Sale Shares and EP Sale Loan by Top Metro from Take Billion pursuant to the terms and condition of the EP Acquisition Agreement

"EP Acquisition Agreement"	the sale and purchase agreement dated 4 May 2017 (as supplemented and amended by the EP Supplemental Agreement) entered into among Top Metro, Take Billion and Ms. Cheung in relation to the EP Acquisition
"EP Completion"	completion of the EP Acquisition
"EP Consideration"	the aggregate consideration for the EP Acquisition
"EP Deposit"	the deposit of HK$18,900,000 payable by Top Metro to Take Billion under the EP Acquisition Agreement
"EP Sale Loan"	60% of the outstanding indebtedness owing by Ever Praise to Take Billion as at EP Completion
"EP Sale Shares"	3,000 ordinary shares in the capital of Ever Praise, representing 30% of the issued share capital of Ever Praise as at the date of the EP Acquisition Agreement and the EP Acquisition Completion
"EP Shareholders' Agreement"	the shareholders' agreement to be entered into among Million Wealth, Take billion, Top Metro and Ever Praise at EP Completion
"EP Supplemental Agreement"	an agreement entered into between Top Metro, Take Billion and Ms. Cheung on 26 May 2017 to amend certain terms of the EP Acquisition
"Ever Praise"	Ever Praise Enterprises Limited, a company incorporated in the BVI with limited liability
"Group"	the Company and its subsidiaries
"HB Acquisition"	the acquisition of the HB Sale Shares and HB Sale Loan by Best Fit from the HB Vendor pursuant to the terms and condition of the HB Acquisition Agreement
"HB Acquisition Agreement"	the sale and purchase agreement dated 4 May 2017 (as supplemented and amended by the HB Supplemental Agreement) entered into among Best Fit, the HB Vendor, Mr. Wang and Ms. Cheung in relation to the HB Acquisition
"HB Completion"	completion of the HB Acquisition

"HB Consideration"	the aggregate consideration for the HB Acquisition
"HB Deposit"	the deposit of HK$1,500,000 payable by Best Fit to the HB Vendor under the HB Acquisition Agreement
"HB Hotels"	Harbour Bay Hotels Limited, a company incorporated in Hong Kong with limited liability
"HB Sale Loan"	all outstanding indebtedness owing by HB Hotels to the HB Vendor as at HB Completion
"HB Sale Shares"	10,000 ordinary shares in the capital of HB Hotels, being the entire issued share capital of HB Hotels as at the date of the HB Acquisition Agreement and the HB Acquisition Completion
"HB Supplemental Agreement"	an agreement entered into between Best Fit, the HB Vendor, Mr. Wang and Ms. Cheung on 26 May 2017 to amend certain terms of the HB Acquisition
"HB Vendor"	Harbour Bay Hotels Management Limited, a company incorporated in the Republic of Marshall Islands with limited liability
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hotel Portion"	means the whole Hotel Property except the ground floor but inclusive of the hotel foyer located at the ground floor
"Hotel Property"	the hotel property located at Nos. 1-3 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong
"Latest Practicable Date"	26 May 2017, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administration Region of the People's Republic of China.

"Million Wealth"	Million Wealth Worldwide Limited, a company incorporated in the BVI with limited liability
"Mr. Wang"	Mr. Wang Chi Hung
"Ms. Cheung"	Ms. Cheung Hei Nga Isabella
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Take Billion"	Take Billion Holdings Limited, a company incorporated in the BVI with limited liability
"Top Metro"	Top Metro Ventures Limited, a company incorporated in the BVI with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

NEPTUNE GROUP LIMITED
海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00070)

Executive Directors:
Mr. Danny Xuda Huang *(Chairman)*
Mr. Nicholas J. Niglio
Mr. Lin Chuen Chow, Andy

Independent non-executive Directors:
Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing
Miss Yeung Hoi Ching

Registered office:
Room 3328C, 33/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road
Central
Hong Kong

29 May 2017

To the Shareholder(s)

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO
THE ACQUISITIONS OF
(1) 30% OF THE EQUITY INTEREST IN AND SHAREHOLDERS' LOANS
OWING BY EVER PRAISE ENTERPRISES LIMITED; AND
(2) THE ENTIRE EQUITY INTEREST IN AND SHAREHOLDER'S LOAN
OWING BY HARBOUR BAY HOTELS LIMITED**

INTRODUCTION

On 4 May 2017 (after trading hours of the Stock Exchange), Top Metro (a direct wholly-owned subsidiary of the Company) as purchaser, Take Billion as vendor and Ms. Cheung as guarantor to the vendor entered into the EP Acquisition Agreement, pursuant to which Top Metro conditionally agreed to acquire, and Take Billion conditionally agreed to sell, the EP Sale Shares and the EP Sale Loan, at an aggregate consideration of HK$189,000,000.

On the same date (after trading hours of the Stock Exchange), Best Fit (a direct wholly-owned subsidiary of the Company) as purchaser, the HB Vendor as vendor, and Mr. Wang and Ms. Cheung as guarantors to the vendor entered into the HB Acquisition Agreement, pursuant to which Best Fit conditionally agreed to acquire, and the HB Vendor conditionally agreed to sell, the HB Sale Shares and the HB Sale Loan, at an aggregate consideration of HK$15,000,000.

On 26 May 2017 (after trading hours of the Stock Exchange), (i) Top Metro, Take Billion and Ms. Cheung entered into the EP Supplemental Agreement to amend certain terms and conditions of the EP Acquisition Agreement; and (ii) Best Fit, the HB Vendor, Mr. Wang and Ms. Cheung entered into the HB Supplemental Agreement to amend certain terms and conditions of the HB Acquisition Agreement.

Completion of the EP Acquisition Agreement and the HB Acquisition Agreement are inter-conditional.

The purpose of this circular is to provide you with, among other things, (i) details of the EP Acquisition Agreement and the HB Acquisition Agreement; (ii) financial information and other information of Ever Praise and HB Hotels; (iii) financial information of the Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report of the Hotel Property; (vi) other information as required under the Listing Rules; and (vii) a notice convening the EGM.

THE EP ACQUISITION AGREEMENT

Date: 4 May 2017 (as supplemented and amended by the EP Supplemental Agreement on 26 May 2017)

Parties:

(i) Purchaser: Top Metro, a direct wholly-owned subsidiary of the Company;

(ii) Vendor: Take Billion; and

(iii) Guarantor: Ms. Cheung who guarantees the obligations of Take Billion under the EP Acquisition Agreement

Take Billion is an investment holding company and is wholly owned by Ms. Cheung. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Take Billion and Ms. Cheung are third parties independent of the Company and its connected persons.

Assets to be acquired

The assets to be acquired under the EP Acquisition Agreement comprise (i) the EP Sale Shares; and (ii) the EP Sale Loan.

The EP Sale Shares represent 30% of the issued share capital of Ever Praise as at the date of the EP Acquisition Agreement and the EP Completion.

The EP Sale Loan represents 60% of the outstanding indebtedness owing by Ever Praise to Take Billion as at EP Completion. The shareholders' loans owing by Ever Praise to its shareholders are contributed by its shareholders in proportion to their respective shareholdings in Ever Praise (i.e. 50% by Take Billion and 50% by Million Wealth). Therefore, the EP Sale

Loan to be acquired by Top Metro shall equal to 30% of all the outstanding indebtedness owing by Ever Praise to its shareholders as at EP Completion. As at 31 March 2017, the aggregate outstanding indebtedness owing by Ever Praise to Take Billion amounted to approximately HK$186,996,000.

The principal asset of Ever Praise is the Hotel Property, details of which are set out in the paragraph headed "Information on Ever Praise" below.

Consideration and payment terms

The EP Consideration of HK$189,000,000 shall comprise the followings:

(i) the purchase price for the EP Sale Loan, which shall be the dollar-to-dollar equivalent of the amount of the EP Sale Loan; and

(ii) the purchase price for the EP Sale Shares, which shall be the aggregate EP Consideration less the purchase price for the EP Sale Loan.

The EP Consideration shall be payable by Top Metro to Take Billion as follows:

(i) the EP Deposit in the sum of HK$18,900,000 as deposit and part payment of the EP Consideration shall be payable to Take Billion upon the signing of the EP Acquisition Agreement; and

(ii) the sum of HK$170,100,000, being the remaining balance of the EP Consideration shall be payable to Take Billion upon EP Completion.

The EP Consideration was determined after arm's length negotiation between Top Metro and Take Billion with reference to the valuation of the Hotel Property of HK$630,000,000 as at 31 March 2017 as prepared by an independent property valuer, the report of which is set out in Appendix VII to this circular.

Conditions precedent

Completion of the EP Acquisition Agreement is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

(i) there being no matter which will have a material adverse change in the condition (financial or otherwise), operations, assets, liabilities or prospects of Ever Praise before the EP Completion;

(ii) all the representations, warranties and undertakings on the part of Take Billion given under the EP Acquisition Agreement being true and correct in all material respects and remaining so from the date of the EP Acquisition Agreement up to the EP Completion;

(iii) Top Metro having confirmed in writing that it is satisfied at its sole and absolute discretion with the results of the due diligence review to be conducted by or on behalf of Top Metro on Ever Praise;

(iv) the HB Completion taking place simultaneously with the EP Completion;

(v) all necessary consents in relation to the transactions contemplated under the EP Acquisition Agreement having been obtained by Top Metro, including without limitation such consents (if appropriate or required) of the Stock Exchange and the SFC and any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong or elsewhere which are required for the entering into, execution, delivery and performance of the EP Acquisition Agreement and the transactions contemplated thereunder, having been obtained;

(vi) the fulfilment by the Company of all the requirements as stipulated in the Listing Rules and laws of Hong Kong, including but not limited to approval by the Shareholders in respect of the respective transactions contemplated under the EP Acquisition Agreement and the HB Acquisition Agreement at the EGM by way of poll; and

(vii) Ever Praise having renewed the lease in respect of the Hotel Portion except the fourth floor of the Hotel Property to HB Hotels for a further term expiring no earlier than 30 April 2022 and at such rent and upon such terms and conditions to the reasonable satisfaction of Top Metro.

Top Metro may waive in writing the conditions precedent set out in (i) to (iii) at its sole and absolute discretion.

If any of the above conditions shall not have been fulfilled or waived (as the case may be) at or before 5:00 p.m. on the date falling on the expiration of six months from the date of the EP Acquisition Agreement (or such other date as Top Metro and Take Billion may agree in writing), the EP Acquisition Agreement shall lapse and the EP Deposit shall be refunded to Top Metro within two Business Days, and thereupon the EP Acquisition Agreement and everything therein contained shall, except for certain clauses in respect of, among other things, indemnity and guarantee provided by Ms. Cheung, under the EP Acquisition Agreement, subject to the liability of any party therein to the other in respect of any antecedent breach of the terms thereof, be null and void and of no further effect.

As at the Latest Practicable Date, none of the conditions precedent set out above has been fulfilled or waived.

EP Completion

EP Completion shall take place on the fifth Business Day after the fulfillment or waiver (as the case may be) of the above conditions precedent (save for the condition set out in (i) to (iv) which shall be fulfilled at or remain fulfilled up to the EP Completion unless otherwise waived by Top Metro (as the case may be)), or such other date as maybe agreed by Top Metro and Take Billion in writing. EP Completion shall take place simultaneously with HB Completion.

Upon EP Completion, Ever Praise will be owned as to 50% by Million Wealth (a company wholly owned by Mr. Wang), 30% by Top Metro and 20% by Take Billion. Ever Praise will become an associate of the Company and its financial results will be equity accounted for in the consolidated financial statements of the Enlarged Group.

Upon EP Completion, the Company will make relevant announcement in relation to the terms of the renewal of the lease in respect of the Hotel Portion (except the fourth floor of the Hotel Property) for a further term expiring no earlier than 30 April 2022.

EP Shareholders' Agreement

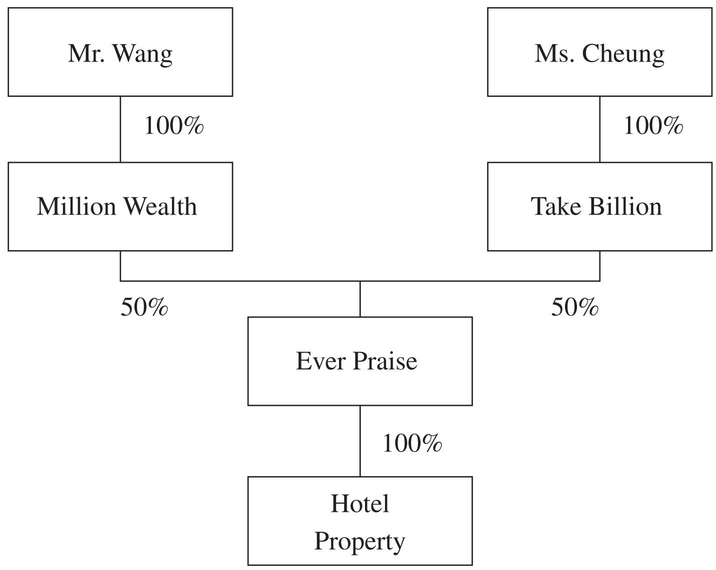
Upon EP Completion, Million Wealth, Top Metro and Take Billion shall enter into the EP Shareholders' Agreement, pursuant to which, among other things, (i) the board of Ever Praise shall comprise three directors and each of Million Wealth, Top Metro and Take Billion shall appoint one director; (ii) the shareholders of Ever Praise shall advance the loans to Ever Praise in the proportion of their respective shareholdings in Ever Praise if Ever Praise needs additional working capital; (iii) if a shareholder of Ever Praise sells or transfers all or a portion of its interest in Ever Praise (the "**Offered Subject Interests**"), such shareholder shall give a notice (the "**Offering Notice**") to the other shareholders of Ever Praise whereas the other shareholders shall have the right, for a period of 15 Business Days after receipt of such notice, to elect to purchase all (but not less than all) the Offered Subject Interests at the same price and on the same terms as specified in the Offering Notice.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Million Wealth is an investment holding company; and (ii) Million Wealth and its sole shareholder, Mr Wang, are third parties independent of the Company and its connected person.

The Directors do not expect any material capital expenditures to be incurred for Ever Praise after EP Completion given the Hotel Property has completed its renovation in 2016. As at the Latest Practicable Date, the Company has no further capital commitment for Ever Praise.

INFORMATION ON EVER PRAISE

Set out below is the shareholding structure of Ever Praise prior to EP Completion:



Ever Praise is a company incorporated in the BVI with limited liability. Its principal asset is the Hotel Property while its principal liabilities are the loans owed by it to its shareholders, which are unsecured, non-interest bearing and have no fixed repayment terms.

Set out below are certain key information of the Hotel Property:

Name:	Harbour Bay Hotel
Location:	Nos. 1-3 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong
Mortgage on the Hotel Property:	Nil
Total gross floor area:	30,589.78 square feet
Number of rooms:	76
Average occupancy rate in 2016:	80.89%
	Shop No. 1 on the ground floor of the Hotel Property is currently leased to a third party for a term of three years commencing from 2 July 2015 at a monthly rent of HK$145,000 with a rent-free period at the 1st month, 13th month and 25th month, and with an option to renew for a further term of two years, for restaurant purpose.

Shop Nos. 2 and 3 on the ground floor of the Hotel Property is currently lease to a third party for a term of three years commencing from 10 January 2017 at a monthly rent of HK$16,800 with a rent-free period of a month, for florist purpose.

Current lease: The Hotel Portion is leased to HB Hotels (i) for a term of four years commencing from 1 May 2015 (with an option to renew for a further term of three years commencing from 1 May 2019) at HK$5,940,000 per annum with a rent-free period for a term commencing on 1 May 2015 and expiring on 30 April 2016 (in respect of the Hotel Portion except the fourth floor of the Hotel Property); and (ii) for a term of five years commencing from 1 June 2016 at HK$120,000 per annum (in respect of the fourth floor of the Hotel Property). As one of the conditions precedent to the EP Completion, the lease in respect of the Hotel Portion (except the fourth floor of the Hotel Property) shall be renewed for a further term expiring no earlier than 30 April 2022.

After the simultaneous completion of the EP Acquisition and the HB Acquisition, HB Hotels (a company which will become an indirect wholly-owned subsidiary of the Company upon HB Completion) will continue to be the lessee of the Hotel Portion.

Set out below is the audited financial information of Ever Praise for the financial years ended 31 March 2016 and 2017 as prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the accountants' report on Ever Praise contained in Appendix II to this circular:

	For the year end 31 March	
	2016	**2017**
	(HK$'000)	*(HK$'000)*
Profit before taxation	112,316	95,528
Profit after taxation	113,191	95,372

	As at 31 March 2017
	(HK$'000)
Net asset value	268,817

The valuation of the Hotel Property was HK$630,000,000 as at 31 March 2017, the report of which is set out in Appendix VII to this circular.

THE HB ACQUISITION AGREEMENT

Date: 4 May 2017 (as supplemented and amended by the HB Supplemental Agreement on 26 May 2017)

Parties:
(i) Purchaser: Best Fit, a direct wholly-owned subsidiary of the Company;

(ii) Vendor: the HB Vendor; and

(iii) Guarantors: Mr. Wang and Ms. Cheung who jointly and severally guarantee the obligations of the HB Vendor under the HB Acquisition Agreement

The HB Vendor is an investment holding company and is indirectly owned as to 50% by Mr. Wang and 50% by Ms. Cheung. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the HB Vendor, Mr. Wang and Ms. Cheung are third parties independent of the Company and its connected persons.

Assets to be acquired

The assets to be acquired under the HB Acquisition Agreement comprise (i) the HB Sale Shares; and (ii) the HB Sale Loan.

The HB Sale Shares represent the entire issued share capital of HB Hotels as at the date of the HB Acquisition Agreement and the HB Completion.

The HB Sale Loan represent all the outstanding indebtedness owing by HB Hotels to the HB Vendor as at the HB Completion. As at 31 March 2017, the outstanding principal amount of the HB Sale Loan amounted to approximately HK$5,053,000.

Consideration

The HB Consideration of HK$15,000,000 shall comprise the followings:

(i) the purchase price for the HB Sale Loan, which shall be the dollar-to-dollar equivalent of the amount of the HB Sale Loan; and

(ii) the purchase price for the HB Sale Shares, which shall be the aggregate HB Consideration less the purchase price for the HB Sale Loan.

The HB consideration shall be payable by Best Fit to the HB Vendor as follows:

(i) the HB Deposit in the sum of HK$1,500,000 as deposit and part payment of the HB Consideration shall be payable to the HB Vendor upon the signing of the HB Acquisition Agreement; and

(ii) the sum of HK$13,500,000, being the remaining balance of the HB Consideration shall be payable to the HB Vendor upon HB Completion.

The HB Consideration is determined after the arm's length negotiation between Best Fit and the HB Vendor with reference to the historical financial performance of HB Hotels and the business prospect of HB Hotels as detailed in the paragraph headed "Reasons for and benefits of the Acquisitions". Also, the consideration of the HB Acquisition represents price-earnings multiple of approximately 6.5 times (based on HB Hotel's profit after tax for the year ended 31 March 2017 of approximately HK$2.3 million). The Directors believe that the financial performance and position of HB Hotels will be further improved in the long run as it made a turnaround from net loss to net profit within one year. As such, the Directors consider that the consideration for HB Acquisition, which was arrived at after arm's length negotiations, is fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

Conditions precedent

Completion of the HB Acquisition Agreement is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

(i) there being no matter which will have a material adverse change in the condition (financial or otherwise), operations, assets, liabilities or prospects of HB Hotels before the HB Completion;

(ii) all the representations, warranties and undertakings on the part of the HB Vendor given under the HB Acquisition Agreement being true and correct in all material respects and remaining so from the date of the HB Acquisition Agreement up to the HB Completion;

(iii) Best Fit having confirmed in writing that it is satisfied at its sole and absolute discretion with the results of the due diligence review to be conducted by or on behalf of Best Fit on HB Hotels;

(iv) the EP Completion taking place simultaneously with the HB Completion;

(v) all necessary consents in relation to the transactions contemplated under the HB Acquisition Agreement having been obtained by Best Fit, including without limitation such consents (if appropriate or required) of the Stock Exchange and the SFC and any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong or elsewhere which are required for the entering into, execution, delivery and performance of the HB Acquisition Agreement and the transactions contemplated thereunder, having been obtained; and

(vi) the fulfillment by the Company of all the requirements as stipulated in the Listing Rules and laws of Hong Kong, including but not limited to approval by the Shareholders in respect of the respective transactions contemplated under the HB Acquisition Agreement and the EP Acquisition Agreement at the EGM by way of poll.

Best Fit may waive in writing the conditions precedent set out in (i) to (iii) at its sole and absolute discretion.

If any of the above conditions shall not have been fulfilled or waived (as the case may be) at or before 5:00 p.m. on the date falling on the expiration of six months from the date of the HB Acquisition Agreement (or such other date as Best Fit and the HB Vendor may agree in writing), the HB Acquisition Agreement shall lapse and the HB Deposit shall be refunded to Best Fit within two Business Days, and thereupon the HB Acquisition Agreement and everything therein contained shall, except for certain clauses in respect of, among other things, indemnity and guarantee provided by Mr. Wang and Ms. Cheung, under the HB Acquisition Agreement, subject to the liability of any party therein to the other in respect of any antecedent breach of the terms thereof, be null and void and of no further effect.

As at the Latest Practicable Date, none of the conditions precedent set out above has been fulfilled or waived.

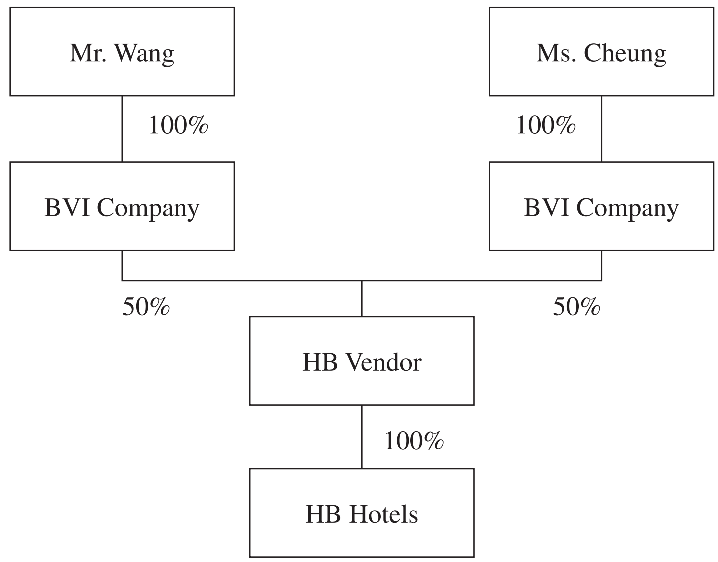
HB Completion

HB Completion shall take place on the fifth Business Days after the fulfillment or waiver (as the case may be) of the above conditions precedent (save for the conditions set out in (i) to (iv) which shall be fulfilled at or remain fulfilled up to the HB Completion unless otherwise waived by Best Fit (as the case may be)), or such other date as maybe agreed by Best Fit and the HB Vendor in writing. HB Completion shall take place simultaneously with EP Completion.

Upon HB Completion, HB Hotels will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Enlarged Group.

INFORMATION ON HB HOTELS

Set out below is the shareholding structure of HB Hotels prior to the HB Completion:



HB Hotels is a company incorporated in Hong Kong with limited liability. It is currently leasing the Hotel Portion from Ever Praise (i) for a term of four years commencing from 1 May 2015 at HK$5,940,000 per annum with a rent-free period for a term commencing on 1 May 2015 and expiring on 30 April 2016 (in respect of the Hotel Portion except the fourth floor of the Hotel Property); and (ii) for a term of five years commencing from 1 June 2016 at HK$120,000 per annum (in respect of the fourth floor of the Hotel Property). As one of the conditions precedent to the EP Completion, the lease in respect of the Hotel Portion (except the fourth floor of the Hotel Property) shall be renewed for a further term expiring no earlier than 30 April 2022.

The ground floor of the Hotel Property is currently leased to other third parties as a floral shop and a restaurant. In respect of the fourth floor of the Hotel Property, HB Hotels has entered into a tenancy agreement with a third party for a term of five years commencing from 1 June 2016 at a basic monthly rent of HK$15,000 for the first nine months and the basic monthly rent of HK$18,000 for the remaining term of the lease and additional turnover rent calculated at 10% for every extra HK$10,000 of monthly revenue of the tenant exceeding HK$180,000 (subject to a maximum monthly rent (i.e. the sum of basic rent and turnover rent) of HK$45,000 in aggregate). Save for this, HB Hotel is the sole operator of Hotel Portion and its principal business is the management and operation of the hotel business.

HB Hotels currently has 20 employees for the management and operation of hotel business. It also hires part-time employees (mainly the housekeeping staff) from time to time to meet additional staffing requirement. It has sufficient manpower for its hotel business and has not outsourced any management services. In order to ensure the hotel business will not be disrupted upon HB Completion, HB Hotels will enter into supplemental employment contracts (in form and substance satisfactory to Best Fit) with three key executives of HB Hotels who are responsible for managing the overall operation of the hotel business prior to HB Completion.

Set out below is the audited financial information of HB Hotels for the period from 20 March 2015 (date of incorporation) to 31 March 2016 and for the year ended 31 March 2017 as prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the accountants' report on HB Hotels contained in Appendix IV to this circular:

	For the period from 20 March 2015 (date of incorporation) to 31 March 2016 *(HK$'000)*	For the year ended 31 March 2017 *(HK$'000)*
(Loss)/profit before taxation	(3,195)	2,392
(Loss)/profit after taxation	(2,661)	2,284

	As at 31 March 2017 *(HK$'000)*
Net liabilities	367

As at 31 March 2017, the assets of HB Hotels mainly comprise the cash and cash equivalents of approximately HK$5,809,000 while the liabilities of HB Hotels mainly comprise the shareholder's loan due to the HB Vendor of approximately HK$5,053,000 and the amount due to Ever Praise of approximately HK$2,084,000.

FINANCIAL EFFECTS OF THE ACQUISITIONS

Upon simultaneous completion of the EP Acquisition and the HB Acquisition, Ever Praise and HB Hotels will become an indirect wholly-owned subsidiary and an associate of the Company, respectively. The financial results of Ever Praise will equity accounted for in the consolidated financial statements of the Enlarged Group while the financial results of HB Hotels will be consolidated into the accounts of the Enlarged Group. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisitions is set out in Appendix VI to this circular.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VI to this circular, assuming the simultaneous completion of the EP Acquisition and the HB Acquisition had taken place on 31 December 2016, (i) the consolidated total assets of the Enlarged Group would be increased by approximately HK$1,516,119,000 to approximately HK$1,520,846,000; and (ii) the consolidated liabilities of the Enlarged Group would be increased by approximately HK$24,683,000 to approximately HK$29,410,000.

In light of the potential future prospects offered by the Acquisitions as stated in the section headed "Reasons for and benefits of the Acquisitions" in this letter from the Board, the Board is of the view that the Acquisitions will likely contribute positively to the Enlarged Group. Nevertheless, the actual effect on earnings/(losses)of the Company will depend on the future financial performance of Ever Praise and HB Hotels.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group is principally engaged in (i) the activities of receiving share of profit streams from the junket business operated by certain junket operators in Macau, which sharing of profit streams is based on certain agreements entered into between the Group and the respective junket operators and which are subsisting; and (ii) the money lending business.

The Company recorded losses for the past few financial years. To this end, as disclosed in the interim report of the Company for the six months ended 31 December 2016, the Group has been exploring new investment opportunities which could be of good potential to the Group and the Shareholders.

According to the report titled "Hotel Room Occupancy Report – Dec 2016" published by the Hong Kong Tourism Board in January 2017, (i) the supply of hotel rooms has increased from 73,846 in 2015 to 74,868 in 2016; (ii) the average hotel room occupancy rate has been above 80% for 2015 and 2016; and (iii) overnight visitors have consistently been above 26.5 million for 2015 and 2016. Despite the increase in supply of hotel rooms, the occupancy rate of hotel room has been high and stable which could be attributable to the sizeable number of overnight visitors. The Board considers that the demand for the hotel rooms in Hong Kong has been robust and is optimistic about the prospect of the hotel industry in Hong Kong.

In this connection, the Board considers that the Acquisition is a good investment opportunity for the Group to step into the hotel industry in a bid to generate revenue for the Group. The Board has also reviewed the historical financial performance and position of HB Hotels and is aware that the net liabilities of HB Hotels substantially decreased from approximately HK$2,651,000 as at 31 March 2016 to approximately HK$367,000 as at 31 March 2017 and HB Hotels achieved a turnaround in its performance and recorded a net profit of approximately HK$2,284,000 for the year ended 31 March 2017. Although HB Hotels has only commenced its operation in May 2015, it is able to improve its financial position and performance within a short period of time. Therefore, in light of turnaround of HB Hotels' result from net loss to net profit for the year ended 31 March 2017 and the solid demand for hotel rooms in Hong Kong as discussed above, the Board considers that the HB Acquisition would create a new income stream for the Company. In addition, in view of the continued prosperity of the property market in Hong Kong in the recent years, the Board is of the view that the EP Acquisition provides the Group an opportunity to share the 30% capital appreciation potential of the Hotel Property.

Mr. Nicholas J. Niglio, an executive Director, has extensive experience in the hotel industry. He has previously served as a member of senior management of Resorts International Hotel, Caesars Palace and Trump Taj Mahal in Atlantic City, USA during 1978 to 2001 and was mainly responsible for coordination and management of all phases of hotel operations. As such, Mr. Niglio has in-depth experience and expertise to oversee the hotel business of HB Hotels. Meanwhile, the Group will retain the key executives of HB Hotels to manage the daily operation of HB Hotels. The Group will also review the staffing and management requirement of HB Hotels and may consider recruiting personnel with relevant expertise and experience in the hotel industry if necessary.

Having regards to the reasons for and benefits of the Acquisitions, the Company proposed, and the Board approved, the entering into of the EP Acquisition Agreement and the HB Acquisition Agreement. The Board is also of the view that the terms of the EP Acquisition Agreement and the HB Acquisition Agreement are fair and reasonable, and the Acquisitions are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisitions (in aggregate) exceed 25% but all are less than 100%, the Acquisitions constitute a major transaction of the Company and are therefore subject to notification, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules.

EGM AND VOTING

The Company will convene the EGM for the Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve the EP Acquisition Agreement, the HB Acquisition Agreement and the respective transactions contemplated thereunder. A notice convening the EGM to be held at 11:00 a.m. on Tuesday, 20 June 2017 at Meeting Room of Soho 1, 6/F, Ibis Hong Kong Central & Sheung Wan, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisitions which is different from other Shareholders, and thus no Shareholder is required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM or any adjournment thereof (as the case may be), you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it at the Company's share registrar and transfer office in Hong Kong at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment (as the case may be) thereof if you so wish.

RECOMMENDATIONS

Having taken into account the reasons for and the benefits of the Acquisitions as set out in this Letter from the Board above, the Board considers that the Acquisitions are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the EP Acquisition Agreement and the HB Acquisition Agreement are fair and reasonable and the Acquisitions are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the EP Acquisition Agreement, the HB Acquisition Agreement and the respective transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular and the notice of the EGM as set out on pages EGM-1 to EGM-2 of this circular.

Yours faithfully,
By order of the Board
Neptune Group Limited
Lin Chuen Chow, Andy
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 30 June 2014, 30 June 2015 and 30 June 2016 respectively, and the unaudited condensed consolidated financial information of the Group for the six months ended 31 December 2016, together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.neptunegroup.com.hk):

- the annual report of the Company for the year ended 30 June 2014 published on 30 October 2014 (pages 25-104);
- the annual report of the Company for the year ended 30 June 2015 published on 23 October 2015 (pages 28-101);
- the annual report of the Company for the year ended 30 June 2016 published on 16 January 2017 (pages 31-113); and
- the interim report of the Company for the six months ended 31 December 2016 published on 16 March 2017 (pages 11-26).

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 30 April 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

(i) Borrowings

The Enlarged Group had outstanding bank term loans of approximately HK$14,420,000. The bank term loans were secured by the investment property of the Group.

(ii) Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any other mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credit, or any guarantees or other contingent liabilities outstanding at the close of business on 30 April 2017.

3. WORKING CAPITAL STATEMENT OF THE ENLARGED GROUP

The Directors are of the opinion that, taking into account the cash flows generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds, the available credit facilities and the effect of the Acquisitions, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors were not aware of, as at the Latest Practicable Date, any material adverse change in the financial and trading position of the Group since 30 June 2016, being the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon HB Completion and EP Completion, the Enlarged Group will continue its existing gaming-related business and money lending business, while engage in the new line of business in the field of hotel management and hotel property holding.

Gaming-related business

The operating environment in the gaming market in Macau has been difficult in recent years with consistent decline in its gaming revenue since mid-2014. Nevertheless, according to the monthly statistics published by the Gaming Inspection and Coordination Bureau, the Company is of the view that the gaming market in Macau might have been bottomed out and started to recover. In particular, the monthly gross gaming revenue of the territory has been showing a positive year-on-year growth since August 2015. In April 2017, the gross gaming revenue grew by more than 16.3% to approximately MOP20.2 billion from approximately MOP17.3 billion recorded for the same month in 2016. Despite the recent turnaround, however, in light of the significant downturn recorded in prior years and that the monthly gross gaming revenue recorded in recent months has remained below the corresponding levels in 2014, the overall market sentiment has continued to be conservative as demonstrated by the relatively slow pace of additions of casino complex. In this connection, the Group would continue to monitor closely the performance of the junket operators with whom the Group has allied through the profit sharing agreements, while continuing to explore other viable investment opportunities to diversify its revenue stream. As at the Latest Practicable Date, the Group intended to continue to engage in the gaming sector in Macau through its profit sharing agreements with the junket operators.

Money lending business

The Directors expect that the money lending market in Hong Kong will continue to grow in the near future. Based on the statistics published by the Hong Kong Monetary Authority, the total loans and advances of all authorised money lending institutions in Hong Kong have been increasing consistently from approximately HK$7,194.6 billion as at end of 2014 to approximately HK$7,954.0 billion as at end of 2016, representing a compounded annual growth rate of approximately 5.1%. Amid the rising money lending market, the Group has commenced the money lending business and recently advanced a sum of HK$50 million, details of which are set out in the Company's announcement dated 4 May 2017. It is the intention of the Group to continue with the money lending business.

Hotel-related business

As discussed in the section headed "Reason for and Benefits of the Acquisitions" in the letter from the Board contained in this circular, the Board considers that the HB Acquisition represents a prime opportunity for the Group to tap into the hotel management business, which would in turn create a new income stream for the Company, while the EP Acquisition provides the Group with an opportunity to share the 30% capital appreciation potential of the Hotel Property in view of the continued prosperity of the property market in Hong Kong in recent years. In addition, as supported by the figures published by the Hong Kong Tourism Board, there has been a notably solid demand for hotel rooms in Hong Kong. In this connection, the Board is optimistic about the prospect of the hotel industry in Hong Kong.

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.

中汇 ZHONGHUI

INTRODUCTION

We report on the historical financial information of Ever Praise Enterprises Limited (formerly known as Ever Praise International Limited) (the "Target Company I") set out on pages II-4 to II-22, which comprises the statements of financial position of the Target Company I as at 31 March 2015, 2016 and 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 March 2015, 2016 and 2017 (the "Relevant Periods I") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information I"). The Historical Financial Information I forms an integral part of this report, which has been prepared for inclusion in the investment circular of Neptune Group Limited dated 29 May 2017 in connection with the proposed acquisition of the entire equity interest in the Target Company I.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION I

The directors of the Target Company I are responsible for the preparation of Historical Financial Information I that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information I, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information I that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information I and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information I is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information I. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information I, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity' s preparation of Historical Financial Information I that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information I in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information I.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information I gives, for the purposes of the accountants' report, a true and fair view of the Target Company I's financial position as at 31 March 2015, 2016 and 2017 and of the Target Company I's financial performance and cash flows for the Relevant Periods I in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information I.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information I, no adjustments to the Underlying Financial Statements as defined on page II-3 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Wan Ho Yuen
Audit Engagement Director
Practising Certificate Number P04309

Hong Kong, 29 May 2017

PREPARATION OF HISTORICAL FINANCIAL INFORMATION I

Set out below is the Historical Financial Information I which forms an integral part of this accountants' report.

The Target Company I was incorporated in the British Virgin Islands on 20 December 2011 with limited liability and the principal activity is property holding and leasing.

The Target Company I has adopted 31 March as the financial year end date.

The directors of the Target Company I have prepared the financial statements of the Target Company I for the Relevant Periods I in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information I is presented in HK$ and all values are rounded to the nearest thousand except when otherwise indicated.

HISTORICAL FINANCIAL INFORMATION I

Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 March		
	Notes	**2015**	**2016**	**2017**
		HK$'000	*HK$'000*	*HK$'000*
Revenue	*9*	–	5,244	6,189
Other income	*10*	1	–	1
General and administrative expenses		(2,241)	(579)	(578)
(Loss)/profit from operations		(2,240)	4,665	5,612
Finance costs	*11*	(1,288)	–	–
Gain on investment property revaluation		73,207	107,651	89,916
Profit before taxation		69,679	112,316	95,528
Income tax credit/(expense)	*12*	–	875	(156)
Profit for the year	*13*	69,679	113,191	95,372
Total comprehensive income for the year		69,679	113,191	95,372

Statements of Financial Position

		At 31 March		
	Notes	**2015**	**2016**	**2017**
		HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Investment property	*15*	430,000	540,000	630,000
Deferred tax assets	*20*	–	875	719
		430,000	540,875	630,719
CURRENT ASSETS				
Prepayments, deposits and other receivables	*16*	301	–	34
Amount due from a related company	*17*	680	4,072	2,084
Cash and cash equivalents		3,353	3,190	10,632
		4,334	7,262	12,750
CURRENT LIABILITIES				
Accruals and other payables	*18*	87	699	659
Amount due to a related company	*19*	39,808	39,808	–
Amounts due to shareholders	*19*	334,185	334,185	373,993
		374,080	374,692	374,652
NET CURRENT LIABILITIES		(369,746)	(367,430)	(361,902)
TOTAL ASSETS LESS CURRENT LIABILITIES		60,254	173,445	268,817
NET ASSETS		60,254	173,445	268,817
CAPITAL AND RESERVE				
Share capital	*21*	1	1	1
Reserves		60,253	173,444	268,816
TOTAL EQUITY		60,254	173,445	268,817

Statements of Changes in Equity

	Share capital	(Accumulated losses)/retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2014	1	(9,426)	(9,425)
Total comprehensive income for the year	–	69,679	69,679
At 31 March 2015	1	60,253	60,254
At 1 April 2015	1	60,253	60,254
Total comprehensive income for the year	–	113,191	113,191
At 31 March 2016	1	173,444	173,445
At 1 April 2016	1	173,444	173,445
Total comprehensive income for the year	–	95,372	95,372
At 31 March 2017	1	268,816	268,817

Statements of Cash Flows

	Year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before taxation	69,679	112,316	95,528
Adjustments for:			
Finance costs	1,288	–	–
Interest income	(1)	–	(1)
Gain on investment property revaluation	(73,207)	(107,651)	(89,916)
Operating (loss)/profit before working capital changes	(2,241)	4,665	5,611
Change in prepayments, deposits and other receivables	(241)	301	(34)
Change in accruals and other payables	43	612	(40)
Cash (used in)/generated from operations	(2,439)	5,578	5,537
Income tax paid	–	–	–
Net cash (used in)/generated from operating activities	(2,439)	5,578	5,537
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1	–	1
Purchase of assets on investment property	(6,362)	(2,349)	(84)
Net cash used in investing activities	(6,361)	(2,349)	(83)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	(1,288)	–	–
Advance from/(to) related companies	8,682	(3,392)	(37,820)
Advance from shareholders	90,121	–	39,808
Repayment of bank loans	(92,688)	–	–
Net cash generated from/(used in) financing activities	4,827	(3,392)	1,988
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,973)	(163)	7,442
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	7,326	3,353	3,190
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3,353	3,190	10,632
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	3,353	3,190	10,632

NOTES TO HISTORICAL FINANCIAL INFORMATION I

1. GENERAL INFORMATION

The Target Company I is a limited company incorporated in the British Virgin Islands. Its registered office is at Room 1201, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. Its principal place of business is located at No. 1-3 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activity of the Target Company I is property holding and leasing.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION I

The Historical Financial Information I has been prepared in accordance with the accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Accounting Standards Board. In addition, the Historical Financial Information I includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company I has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2016. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Target Company I' s accounting policies, presentation of the Target Company I' s financial statements and amounts reported for the Relevant Periods I.

The Target Company I has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the Historical Financial Information I of the Target Company I. The Target Company I has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Historical Financial Information I in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5 to the Historical Financial Information I.

The Historical Financial Information I has been prepared under the historical cost convention. The significant accounting policies applied in the preparation of the Historical Financial Information I are set out below.

Functional and presentation currency

The Historical Financial Information I is presented in Hong Kong dollars("HK$"), rounded to the nearest thousand, which is the Target Company I's presentation currency and functional currency.

Operating leases

The Target Company I as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Investment properties

Investment property is building held to earn rentals and for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company I becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company I transfers substantially all the risks and rewards of ownership of the assets; or the Target Company I neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that the Target Company I will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowances is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company I's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Company I after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Company I and the amount of revenue can be measured reliably.

Rental income is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Target Company I contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Company I and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target Company I to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Company I can no longer withdraw the offer of those benefits and when the Target Company I recognises restructuring costs and involves the payment of termination benefits.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company I' s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Company I expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company I intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target Company I.

(A) A person or a close member of that person's family is related to the Target Company I if that person:

(i) has control or joint control over the Target Company I;

(ii) has significant influence over the Target Company I; or

(iii) is a member of the key management personnel of the Target Company I or of a parent of the Target Company I.

(B) An entity is related to the Target Company I if any of the following conditions applies:

(i) The entity and the Target Company I are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company I or an entity related to the Target Company I. If the Target Company I is itself such a plan, the sponsoring employers are also related to the Target Company I.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company I or to a parent of the Target Company I.

Impairment of assets

At the end of each reporting period, the Target Company I reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company I has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the end of the reporting period

Events after the reporting period that provide additional information about the Target Company I' s position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information I when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Target Company I' s investment property portfolios and concluded that the Target Company I' s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Target Company I's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting periods, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Fair values of investment properties

The Target Company I appointed an independent professional valuer to assess the fair values of the investment property. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

6. FINANCIAL RISK MANAGEMENT

The Target Company I's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Target Company I's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company I's financial performance.

(a) Credit risk

The carrying amount of the bank and cash balances, other receivables, and amount due from a related company included in the statement of financial position represents the Target Company I's maximum exposure to credit risk in relation to the Target Company I's financial assets.

Target Company I has no significant concentrations of credit risk.

(b) Liquidity risk

The Target Company I's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Target Company I's financial liabilities are due within one year.

The maturity analysis of the Target Company I's financial liabilities is as follows:

	Less than 1 year	**Carrying amount**
	HK$'000	*HK$'000*
At 31 March 2015		
Accruals and other payables	87	87
Amount due to a related company	39,808	39,808
Amounts due to shareholders	334,185	334,185
	374,080	374,080
At 31 March 2016		
Accruals and other payables	554	554
Amount due to a related company	39,808	39,808
Amounts due to shareholders	334,185	334,185
	374,547	374,547
At 31 March 2017		
Accruals and other payables	514	514
Amount due to a related company	–	–
Amounts due to shareholders	373,993	373,993
	374,507	374,507

(c) Interest rate risk

As the Target Company I has minimal exposure to interest rate risk, the Target Company I's operating cash flows are substantially independent of changes in market interest rates.

(d) Fair values

The carrying amounts of the Target Company I's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

(e) Categories of financial instruments

		At 31 March	
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Loans and receivables:			
– Prepayments, deposits and other receivables	–	–	34
– Amount due from a related company	680	4,072	2,084
– Bank and cash balances	3,353	3,190	10,632
	4,033	7,262	12,750
Financial liabilities at amortised cost:			
– Accruals and other payables	87	554	514
– Amount due to a related company	39,808	39,808	–
– Amounts due to shareholders	334,185	334,185	373,993
	374,080	374,547	374,507

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Target Company I's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy, at 31 March 2015, 2016 and 2017:

At 31 March 2015

	Fair value measurement using:			**Total**
Description	**Level 1**	**Level 2**	**Level 3**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Investment properties				
Commercial – Hong Kong	–	–	430,000	430,000

At 31 March 2016

	Fair value measurement using:			**Total**
Description	**Level 1**	**Level 2**	**Level 3**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Investment properties				
Commercial – Hong Kong	–	–	540,000	540,000

At 31 March 2017

	Fair value measurement using:			**Total**
Description	**Level 1**	**Level 2**	**Level 3**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Investment properties				
Commercial – Hong Kong	–	–	630,000	630,000

(b) Reconciliation of assets measured at fair value based on level 3:

Description	**Investment properties** **2015** *HK$'000*
At 1 April 2014	350,431
Addition	6,362
Total gains recognised in profit or loss(#)	73,207
At 31 March 2015	430,000
(#) Include gains or losses for assets held at end of reporting period	73,207

Description	**Investment properties** **2016** *HK$'000*
At 1 April 2015	430,000
Addition	2,349
Total gains recognised in profit or loss(#)	107,651
At 31 March 2016	540,000
(#) Include gains or losses for assets held at end of reporting period	107,651

Description	**Investment properties** **2017** *HK$'000*
At 1 April 2016	540,000
Addition	84
Total gains recognised in profit or loss(#)	89,916
At 31 March 2017	630,000
(#) Include gains or losses for assets held at end of reporting period	89,916

The total gains recognised in profit or loss are presented in gain on investment property revaluation in the statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Target Company I and valuation techniques and inputs used in fair value measurements at 31 March 2015, 2016 and 2017:

The Target Company I's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least once a year.

For level 3 fair value measurements, the Target Company I will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly:

– adjusted factor on retail potential

– adjusted factor on accessibility

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Range	Fair value 2015 *HK$'000*
Investment properties A Commercial building	Comparison approach	Adjusted factor on retail potential	Increase	2%-5%	430,000
situated at No. 1 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong		Adjusted factor on accessibility	Increase	2%-10%	

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Range	Fair value 2016 *HK$'000*
Investment properties A Commercial building	Comparison approach	Adjusted factor on retail potential	Increase	2%-5%	540,000
situated at No. 1 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong		Adjusted factor on accessibility	Increase	2%-10%	

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Range	Fair value 2017 *HK$'000*
Investment properties A Commercial building	Comparison approach	Adjusted factor on retail potential	Increase	2%-5%	630,000
situated at No. 1 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong		Adjusted factor on accessibility	Increase	2%-10%	

During the Relevant Periods I, there was no change in the valuation techniques used.

8. SEGMENT INFORMATION

The Target Company I's operating segment is rental operations. Since this is the only operating segment of the Target Company I, no further analysis thereof is presented.

The Target Company I's operations and operating assets are substantially located in Hong Kong. Accordingly, no geographical segment information is presented.

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out as below:

	Year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Customer A	–	4,084	4,555
Customer B	–	1,160	1,595
	–	5,244	6,150

9. REVENUE

Revenue represents rental income received and receivable for the Relevant Periods I.

	Year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Rental income	–	5,244	6,189

10. OTHER INCOME

	Year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	1	–	1
	1	–	1

11. FINANCE COSTS

	Year ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Bank loan interest	1,288	–	–

12. INCOME TAX CREDIT/(EXPENSE)

	Year ended 31 March		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax (*note 20*)	–	875	(156)
	–	875	(156)

No provision for Hong Kong Profits Tax has been made for the Relevant Periods I since the Target Company I has tax loss. The amount of unused tax losses available to be carried forward against future taxable profits is approximately HK$Nil, HK$5,300,000 and HK$3,236,000 at 31 March 2015, 2016 and 2017 respectively.

The reconciliation between the income tax (credit)/expense and the profit before tax is as follows:

	Year ended 31 March		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	69,679	112,316	95,528
Tax at domestic income tax rate of 16.5%	11,497	18,532	15,762
Tax effect of income not taxable and expenses not deductible	(11,497)	(20,282)	(15,450)
Tax effect of tax losses not recognised	–	875	–
Utilisation of tax losses previously not recognised	–	–	(156)
	–	(875)	156

13. PROFIT FOR THE YEAR

The Target Company I's profit for the Relevant Periods I is stated after charging/(crediting) the following:

	Year ended 31 March		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Depreciation	–	8,590	8,593
Directors' emoluments			
– As directors	–	–	–
– For management	–	–	–
	–	–	–
Auditor's remuneration	25	25	25

14. EARNINGS PER SHARE

Earnings per share have not been presented as its inclusion is not considered meaningful for the purpose of the Historical Financial Information I.

15. INVESTMENT PROPERTY

	At 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	350,431	430,000	540,000
Addition	6,362	2,349	84
Gain on investment property revaluation	73,207	107,651	89,916
At end of year	430,000	540,000	630,000

Investment properties were revalued at 31 March 2015, 2016 and 2017 on the open market value basis by reference to market evidence of recent transactions for similar properties by BMI Appraisals Limited, an independent firm of chartered surveyors.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Deposit for fixed assets	301	–	–
Payment in advance	–	–	34
	301	–	34

17. AMOUNT DUE FROM A RELATED COMPANY

Amount due from a related company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance are as follows:

Name of related company	**Name of directors having beneficial interest**	**Maximum amount outstanding during the year ended 31/3/2015**	**Maximum amount outstanding during the year ended 31/3/2016**	**Maximum amount outstanding during the year ended 31/3/2017**	**Balance at 31/3/2015**	**Balance at 31/3/2016**	**Balance at 31/3/2017**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Harbour Bay Hotels Limited	Wang Chi Hung, Cheung Hei Nga Isabella	680	4,072	4,072	680	4,072	2,084

The above advance is unsecured, non-interest bearing and have no fixed repayment terms.

18. ACCRUALS AND OTHER PAYABLES

	At 31 March		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Accruals	87	119	29
Rental deposit received	–	435	485
Received in advance	–	145	145
	87	699	659

19. AMOUNTS DUE TO A RELATED COMPANY/SHAREHOLDERS

The advances are unsecured, non-interest bearing and has no fixed repayment terms.

20. DEFERRED TAX

The following is the deferred tax assets recognised by the Target Company I.

	Tax losses	Total
	HK$'000	*HK$'000*
At 1 April 2014	–	–
Charge to profit or loss for the year	–	–
At 31 March 2015 and 1 April 2015	–	–
Credit to profit or loss for the year	875	875
At 31 March 2016 and 1 April 2016	875	875
Charge to profit or loss for the year	(156)	(156)
At 31 March 2017	719	719

At 31 March 2016 and 2017, the Target Company I has unused tax losses of approximately HK$5,300,000 and HK$4,364,000 respectively available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$875,000 and HK$719,000 of such losses respectively.

21. SHARE CAPITAL

	At 31 March		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Authorized:			
50,000 ordinary shares of US$1 each	390	390	390
Issued and fully paid:			
2 ordinary shares of US$1 each	1	1	1

The Target Company I's objectives when managing capital are to safeguard the Target Company I's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

22. OPERATING LEASE COMMITMENTS

The Target Company I as lessor

At the end of each reporting period, the Target Company I had contracted with tenants for the following future minimum lease payments:

	2016	2017
	HK$'000	*HK$'000*
Within one year	7,535	7,857
In the second to fifth years inclusive	14,405	7,401
	21,940	15,258

23. CONTINGENT LIABILITIES

At the end of each reporting period, the Target Company I did not have any significant contingent liability.

24. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information I, the Target Company I had the following transactions with a related party during the Relevant Periods I.

	At 31 March		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Rental income received from a related company	–	4,084	4,555
Management fee paid to a related company	2,168	–	–

All directors, Mr. Wang Chi Hung and Ms. Cheung Hei Nga Isabella, have significant influence over the related companies.

25. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company I in respect of any period subsequent to 31 March 2017.

Ever Praise is a company incorporated in the BVI with limited liability on 20 December 2011. As at the Latest Practicable Date, it is owned as to 50% by Take Billion and 50% by Million Wealth. The principal activity of Ever Praise is investment holding and the principal asset of which is the Hotel Property.

Ever Praise's financial year begins from 1 April and ends on 31 March. All references to "FY2015", "FY2016" and "FY2017" mean the financial years ended 31 March 2015, 2016 and 2017, respectively. Set out below is the management discussion and analysis of Ever Praise for each of FY2015, FY2016 and FY2017.

FOR THE YEAR ENDED 31 MARCH 2015

Business and financial review

Ever Praise did not record any revenue during FY2015 as the Hotel Property was under renovation. The general and administrative expenses incurred by Ever Praise of approximately HK$2.2 million mainly represented management fee expenses. The finance costs incurred by Ever Praise of approximately HK$1.3 million represented the interest expenses on the bank borrowings, which has been repaid in full by Ever Praise during FY2015. It also recorded a valuation gains on the Hotel Property of approximately HK$73.2 million during FY2015. As a result of the foregoing, Ever Praise recorded a net profit of approximately HK$69.7 million for FY2015.

Capital structure, liquidity and financial resources

During FY2015, Ever Praise met its working capital and other liquidity requirement mainly through a combination of its internal resources, shareholders' loans and loans from related companies. It has fully repaid the bank loans of approximately HK$92.7 million by the loans from its shareholders during FY2015.

As at 31 March 2015, Ever Praise had cash of approximately HK$3.4 million. The majority of Ever Praise's assets was investment property of approximately HK$430.0 million, which was non-current in nature, while the majority of its liabilities were the amounts due to shareholders of approximately HK$334.2 million and amounts due to a related company of approximately HK$39.8 million. Therefore, Ever Praise recorded net current liabilities of approximately HK$369.7 million as at 31 March 2015. The amount due to a related company as at 31 March 2015 mainly represented the renovation costs of the Hotel Property. The amounts due to shareholders and a related company are unsecured, non-interest bearing and have no fixed repayment terms.

During FY2015, Ever Praise did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 March 2015, Ever Praise's current ratio ("**Current Ratio**", represented by current assets as a percentage of current liabilities) and gearing ratio ("**Gearing Ratio**", represented by total liabilities as a percentage of total assets) were approximately 1.2% and approximately 86.1% respectively.

Employment and remuneration policy

As at 31 March 2015, Ever Praise did not have any employees.

Significant investment

During FY2015, save for the Hotel Property, Ever Praise did not hold any significant investments.

Future plans for material investments or capital assets

As at 31 March 2015, Ever Praise did not have any future plans for material investments or capital assets.

Acquisition or disposal of subsidiary

During FY2015, Ever Praise did not have any significant acquisition or disposal of any subsidiary or associated company.

Charges on assets

As at 31 March 2015, Ever Praise did not have any charges on assets.

Contingent liabilities

Ever Praise had no material contingent liabilities as at 31 March 2015.

Foreign exchange exposure

During FY2015, Ever Praise was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in HK dollars.

FOR THE YEAR ENDED 31 MARCH 2016

Business and financial review

During FY2016, the renovation work of the Hotel Property was completed. As such, Ever Praise as a lessor and HB Hotels as a lessee entered into a tenancy agreement for a term of four years commencing from 1 May 2015 (with an option to renew for a further term of three years commencing from 1 May 2019) at HK$5.94 million per annum with a rent-free period for a term commencing on 1 May 2015 and expiring on 30 April 2016 (in respect of the Hotel Portion except the fourth floor of the Hotel Property). It also entered into other tenancy agreement with other independent third party in respect of Shop No. 1 of the ground floor of the Hotel Property. As a result, Ever Praise recorded revenue of HK$5.2 million which represented the rental income from the Hotel Property.

The general and administrative expenses incurred by Ever Praise of approximately HK$0.6 million mainly represented rate and building management fees. It also recorded a valuation gains on the Hotel Property of approximately HK$107.7 million during FY2016. As a result of the foregoing, Ever Praise recorded profit of approximately HK$113.2 million for financial year ended 31 March 2016.

Capital structure, liquidity and financial resources

During FY2016, Ever Praise's operations were mainly financed by cash flow from operation.

As at 31 March 2016, Ever Praise had cash of approximately HK$3.2 million. The majority of Ever Praise's assets was investment property of approximately HK$540.0 million, which was non-current in nature, and the amount due from a related company, HB Hotels, of approximately HK$4.1 million; while the majority of its liabilities were the amounts due to shareholders of approximately HK$334.2 million and amounts due to a related company of approximately HK$39.8 million. Therefore, Ever Praise recorded net current liabilities of approximately HK$367.4 million as at 31 March 2016. The amount due to a related company as at 31 March 2016 mainly represented the renovation costs of the Hotel Property. The amounts due to shareholders and a related company and the amount due from a related company are unsecured, non-interest bearing and have no fixed repayment terms.

During FY2016, Ever Praise did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 March 2016, Ever Praise's Current Ratio and Gearing Ratio were approximately 1.9% and approximately 68.4% respectively. The increase in Current Ratio was due to the amount due from a related company, HB Hotels, of approximately HK$4.1 million as at 31 March 2016. The decrease in Gearing Ratio was mainly due to the investment property revaluation gain on the Hotel Property during FY2016.

Employment and remuneration policy

As at 31 March 2016, Ever Praise did not have any employees.

Significant investment

During FY2016, save for the Hotel Property, Ever Praise did not hold any significant investment.

Future plans for material investments or capital assets

As at 31 March 2016, Ever Praise did not have any future plans for material investments or capital assets.

Acquisition or disposal of subsidiary

During FY2016, Ever Praise did not have any significant acquisition or disposal of any subsidiary or associated company.

Charges on assets

As at 31 March 2016, Ever Praise did not have any charges on assets.

Contingent liabilities

Ever Praise had no material contingent liabilities as at 31 March 2016.

Foreign exchange exposure

During FY2016, Ever Praise was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in HK dollars.

FOR THE YEAR ENDED 31 MARCH 2017

Business and financial review

During FY2017, Ever Praise recorded revenue of HK$6.2 million which represented of rental income from the Hotel Property. It entered into a tenancy agreement with HB Hotels for a term of five years commencing from 1 June 2016 at HK$120,000 per annum in respect of the fourth floor of the Hotel Property. It also entered into a tenancy agreement with other independent third party in respect of Shop No. 2 and 3 of the ground floor of the Hotel Property.

The general and administrative expenses incurred by Ever Praise of approximately HK$0.6 million mainly represented rate and building management fees. It also recorded a valuation gains on the Hotel Property of approximately HK$89.9 million during FY2017. As a result of the foregoing, Ever Praise recorded profit of approximately HK$95.2 million for FY2017.

Capital structure, liquidity and financial resources

During FY2017, Ever Praise mainly financed its operation by cash flow from operation and shareholders' loans.

As at 31 March 2017, Ever Praise had cash of approximately HK$10.6 million. The majority of Ever Praise's assets was investment property of approximately HK$630.0 million, which was non-current in nature, and the amount due from a related company, HB Hotels, of approximately HK$2.1 million; while the majority of its liabilities were the amounts due to shareholders of approximately HK$374.0 million. Therefore, Ever Praise recorded net current liabilities of approximately HK$361.9 million as at 31 March 2017. The amounts due to shareholders and the amount due from a related company are unsecured, non-interest bearing and have no fixed repayment terms.

During FY2017, Ever Praise did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 March 2017, Ever Praise's Current Ratio and Gearing Ratio were approximately 3.4% and approximately 58.2% respectively. The increase in current ratio was mainly due to the increase in cash generated from operation. The decrease in gearing ratio was mainly due to the revaluation gain on the Hotel Property and repayment of amount due to a related company by Ever Praise during FY2017.

Employment and remuneration policy

As at 31 March 2017, Ever Praise did not have any employees.

Significant investment

During FY2017, save for the Hotel Property, Ever Praise did not hold any significant investment.

Future plans for material investments or capital assets

As at 31 March 2017, Ever Praise did not have any future plans for material investments or capital assets.

Acquisition or disposal of subsidiary

During FY2017, Ever Praise did not have any significant acquisition or disposal of any subsidiary or associated company.

Charges on assets

As at 31 March 2017, Ever Praise did not have any charges on assets.

Contingent liabilities

Ever Praise had no material contingent liabilities as at 31 March 2017.

Foreign exchange exposure

During FY2017, Ever Praise was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in HK dollars.

The following is the text of a report received from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.

中汇
ZHONGHUI

Dear Sirs,

INTRODUCTION

We report on the historical financial information of Harbour Bay Hotels Limited (the "Target Company II") set out on pages IV-4 to IV-18, which comprises the statements of financial position of the Target Company II as at 31 March 2016 and 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 20 March 2015 (date of incorporation) to 31 March 2016 and for the year ended 31 March 2017 (the "Relevant Periods II") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information II"). The Historical Financial Information II forms an integral part of this report, which has been prepared for inclusion in the investment circular of Neptune Group Limited dated 29 May 2017 in connection with the proposed acquisition of the entire equity interest in the Target Company II.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION II

The directors of the Target Company II are responsible for the preparation of Historical Financial Information II that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information II, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information II that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information II and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information II is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information II. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information II, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity' s preparation of Historical Financial Information II that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information II in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information II.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information II gives, for the purposes of the accountants' report, a true and fair view of the Target Company II's financial position as at 31 March 2016 and 2017 and of the Target Company II's financial performance and cash flows for the Relevant Periods II in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information II.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information II no adjustments to the Underlying Financial Statements as defined on page IV-3 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Wan Ho Yuen
Audit Engagement Director
Practising Certificate Number P04309

Hong Kong, 29 May 2017

PREPARATION OF HISTORICAL FINANCIAL INFORMATION II

Set out below is the Historical Financial Information II which forms an integral part of this accountants' report.

The Target Company II was incorporated in Hong Kong (the "HK") on 20 March 2015 with limited liability and the principal activity is operations of hotel.

The Target Company II has adopted 31 March as the financial year end date.

The statutory financial statements of the Target Company II have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in HK and were audited by the following certified public accountants registered in HK.

Name of company	**Financial years**	**Name of auditor**
Harbour Bay Hotels Limited	Period/year ended 31 March 2016 and 2017	Cheng & Cheng Limited

The directors of the Target Company II have prepared the financial statements of the Target Company II for the Relevant Periods II in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information II is presented in HK$ and all values are rounded to the nearest thousand except when otherwise indicated.

HISTORICAL FINANCIAL INFORMATION II

Statements of Profit or Loss and Other Comprehensive Income

	Notes	**20/3/2015 to 31/3/2016** *HK$'000*	**Year ended 31/3/2017** *HK$'000*
Revenue	*8*	10,815	17,535
Cost of service rendered		(13,429)	(14,228)
Gross (loss)/profit		(2,614)	3,307
Other income	*9*	33	41
General and administrative expenses		(614)	(956)
(Loss)/profit from operations		(3,195)	2,392
Finance costs		–	–
(Loss)/profit before taxation		(3,195)	2,392
Income tax credit/(expense)	*10*	534	(108)
(Loss)/profit for the period/year	*11*	(2,661)	2,284
Total comprehensive (loss)/income for the period/year		(2,661)	2,284

Statements of Financial Position

	Notes	**2016** *HK$'000*	**2017** *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	645	509
Deferred tax assets	*18*	534	426
		1,179	935
CURRENT ASSETS			
Trade receivables	*14*	133	136
Prepayments, deposits and other receivables	*15*	580	480
Amount due from a fellow subsidiary	*17*	2	2
Cash and cash equivalents		5,360	5,809
		6,075	6,427
CURRENT LIABILITIES			
Accruals and other payables	*16*	655	592
Amount due to a related company	*17*	4,072	2,084
Amounts due to holding company	*17*	5,178	5,053
		9,905	7,729
NET CURRENT LIABILITIES		(3,830)	(1,302)
TOTAL ASSETS LESS CURRENT LIABILITIES		(2,651)	(367)
NET LIABILITIES		(2,651)	(367)
CAPITAL AND RESERVE			
Share capital	*19*	10	10
Other reserves		(2,661)	(377)
TOTAL DEFICIT		(2,651)	(367)

Statements of Changes in Equity

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 20 March 2015	–	–	–
Issue of share capital	10	–	10
Total comprehensive loss for the period	–	(2,661)	(2,661)
At 31 March 2016	10	(2,661)	(2,651)
At 1 April 2016	10	(2,661)	(2,651)
Total comprehensive income for the year	–	2,284	2,284
At 31 March 2017	10	(377)	(367)

Statements of Cash Flows

	20/3/2015 to 31/3/2016 *HK$'000*	Year ended 31/3/2017 *HK$'000*
Cash flows from operating activities		
(Loss)/profit before taxation	(3,195)	2,392
Adjustments for:		
Finance costs	–	–
Interest income	(33)	(41)
Depreciation	67	177
Operating (loss)/profit before working capital changes	(3,161)	2,528
Change in trade receivables	(133)	(3)
Change in prepayments, deposits and other receivables	(580)	100
Change in accruals and other payables	655	(63)
Cash (used in)/generated from operations	(3,219)	2,562
Income tax paid	–	–
Net cash (used in)/generated from operating activities	(3,219)	2,562
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	33	41
Purchase of property, plant and equipment	(712)	(41)
Net cash used in investing activities	(679)	–
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	10	–
Advance to a fellow subsidiary	(2)	–
Advance from/(to) a related company	4,072	(1,988)
Advance from/(to) holding company	5,178	(125)
Net cash generated from/(used in) financing activities	9,258	(2,113)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,360	449
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	–	5,360
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	5,360	5,809
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	5,360	5,809

NOTES TO HISTORICAL FINANCIAL INFORMATION II

1. GENERAL INFORMATION

The Target Company II is a limited company incorporated in Hong Kong. Its registered office is at Room 1201, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. Its principal place of business is located at No. 1-3 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activity of the Target Company II is operation of a hotel.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION II

The Historical Financial Information II has been prepared in accordance with the accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Accounting Standards Board. In addition, the Historical Financial Information II includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company II has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 20 March 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Target Company II's accounting policies, presentation of the Target Company II's financial statements and amounts reported for the Relevant Periods II.

The Target Company II has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Target Company II. The Target Company II has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of Financial Information II in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the Historical Financial Information II.

The Historical Financial Information II has been prepared under the historical cost convention. The significant accounting policies applied in the preparation of the Historical Financial Information II are set out below.

Functional and presentation currency

The Historical Financial Information II is presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand, which is the Target Company II's presentation currency and functional currency.

Operating leases

The Target Company II as lessee

Leases that do not substantially transfer to the Target Company II all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company II and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture and equipment	20%
Leasehold improvement	25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company II becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company II transfers substantially all the risks and rewards of ownership of the assets; or the Target Company II neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Target Company II will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowances is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company II's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Company II after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Company II and the amount of revenue can be measured reliably.

Hotel service income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Target Company II contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Company II and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target Company II to the funds.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Company II can no longer withdraw the offer of those benefits and when the Target Company II recognises restructuring costs and involves the payment of termination benefits.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company II's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Company II expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company II intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target Company II.

(A) A person or a close member of that person's family is related to the Target Company II if that person:

- (i) has control or joint control over the Target Company II;
- (ii) has significant influence over the Target Company II; or
- (iii) is a member of the key management personnel of the Target Company II or of a parent of the Target Company II.

(B) An entity is related to the Target Company II if any of the following conditions applies:

- (i) The entity and the Target Company II are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company II or an entity related to the Target Company II. If the Target Company II is itself such a plan, the sponsoring employers are also related to the Target Company II.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company II or to a parent of the Target Company II.

Impairment of assets

At the end of each reporting period, the Target Company II reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company II has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the end of the reporting period

Events after the reporting period that provide additional information about the Target Company II's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information II when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Property, plant and equipment and depreciation

The Target Company II determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Target Company II will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

6. FINANCIAL RISK MANAGEMENT

The Target Company II's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Target Company II's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company II' s financial performance.

(a) Credit risk

The carrying amount of the bank and cash balances, other receivables, and amount due from a related company included in the statement of financial position represents the Target Company II's maximum exposure to credit risk in relation to the Target Company II's financial assets.

Target Company II has no significant concentrations of credit risk.

(b) Liquidity risk

The Target Company II's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Target Company II's financial liabilities are due within one year.

The maturity analysis of the Target Company II's financial liabilities is as follows:

	Less than 1 year	**Carrying amount**
	HK$'000	*HK$'000*
At 31 March 2016		
Accruals and other payables	561	561
Amount due to a related company	4,072	4,072
Amounts due to holding company	5,178	5,178
	9,811	9,811
At 31 March 2017		
Accruals and other payables	587	587
Amount due to a related company	2,084	2,084
Amounts due to holding company	5,053	5,053
	7,724	7,724

(c) Interest rate risk

As the Target Company II has minimal exposure to interest rate risk, the Target Company II's operating cash flows are substantially independent of changes in market interest rates.

(d) Fair values

The carrying amounts of the Target Company II's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

(e) Categories of financial instruments

	2016	**2017**
	HK$'000	*HK$'000*
Loans and receivables:		
– Prepayments, deposits and other receivables	419	375
– Amount due from holding company	–	–
– Amount due from a fellow subsidiary	2	2
– Cash and cash equivalents	5,360	5,809
	5,781	6,186
Financial liabilities at amortised cost:		
– Accruals and other payables	561	587
– Amount due to a related company	4,072	2,084
– Amounts due to holding company	5,178	5,053
	9,811	7,724

7. SEGMENT INFORMATION

The Target Company II's operating segment is rental operations. Since this is the only operating segment of the Target Company II, no further analysis thereof is presented.

The Target Company II's operations and operating assets are substantially located in Hong Kong. Accordingly, no geographical segment information is presented.

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out as below:

	20/3/2015 to 31/3/2016	**Year ended 31/3/2017**
	HK$'000	*HK$'000*
Customer A	3,209	3,301

8. REVENUE

Revenue represents hotel service income received and receivable for the Relevant Periods II.

	20/3/2015 to 31/3/2016	**Year ended 31/3/2017**
	HK$'000	*HK$'000*
Hotel service income	10,815	17,535

9. OTHER INCOME

	20/3/2015 to 31/3/2016	**Year ended 31/3/2017**
	HK$'000	*HK$'000*
Bank interest income	33	41

10. INCOME TAX CREDIT/(EXPENSE)

	20/3/2015 to 31/3/2016	**Year ended 31/3/2017**
	HK$'000	*HK$'000*
Deferred tax *(note 18)*	534	(108)
	534	(108)

No provision for Hong Kong Profits Tax has been made for the Relevant Periods II as the Target Company II did not generate any assessable profits arising in Hong Kong during the Relevant Periods II.

The reconciliation between the income tax (credit)/expense and the (loss)/profit before tax is as follows:

	20/3/2015 to 31/3/2016 *HK$'000*	Year ended 31/3/2017 *HK$'000*
(Loss)/profit before tax	(3,195)	2,392
Tax at domestic income tax rate of 16.5%	(527)	395
Tax effect of income not taxable and expenses not deductible	(541)	(395)
Tax effect of tax losses not recognised	534	–
Tax effect of utilisation of tax losses not previously recognised	–	108
	(534)	108

11. (LOSS)/PROFIT FOR THE PERIOD/YEAR

The Target Company II's (loss)/profit for the Relevant Periods II is stated after charging the following:

	20/3/2015 to 31/3/2016 *HK$'000*	Year ended 31/3/2017 *HK$'000*
Depreciation	67	177
Directors' emoluments		
– As directors	–	–
– For management	–	–
	–	–
Auditor's remuneration	60	65
Operating lease charges on the building	4,084	4,555
Staff costs including directors' emoluments		
Salaries, bonus and allowances	4,401	4,931
Retirement benefits scheme contributions	201	229
	4,602	5,160

12. (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share have not been presented as its inclusion is not considered meaningful for the purpose of the Historical Financial Information II.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment *HK$'000*	Leasehold improvement *HK$'000*	Total *HK$'000*
Cost			
At 20 March 2015	–	–	–
Additions	136	576	712
At 31 March 2016 and 1 April 2016	136	576	712
Additions	41	–	41
At 31 March 2017	177	576	753

	Furniture and equipment *HK$'000*	Leasehold improvement *HK$'000*	Total *HK$'000*
Accumulated depreciation			
At 20 March 2015	–	–	–
Charge for the period	12	55	67
At 31 March 2016 and 1 April 2016	12	55	67
Charge for the year	33	144	177
At 31 March 2017	45	199	244
Carrying amount			
At 31 March 2016	124	521	645
At 31 March 2017	132	377	509

14. TRADE RECEIVABLES

	2016 *HK$'000*	2017 *HK$'000*
Trade receivables	133	136

An aged analysis of trade receivables, as at the end of the reporting periods based on the services provided date, and net of impairments, is as follows:

	2016 *HK$'000*	2017 *HK$'000*
Within 30 days	133	136

The credit period generally ranges from 0 to 15 days. At 31 March 2016 and 2017, none of trade receivables were past due but not impaired.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 *HK$'000*	2017 *HK$'000*
Prepayment	161	105
Deposit paid	419	375
	580	480

16. ACCRUALS AND OTHER PAYABLES

	2016	2017
	HK$'000	*HK$'000*
Accruals	177	306
Salary payable	85	100
Advance from customers	94	5
Deposit received	182	4
Commission payable	114	176
Others	3	1
	655	592

17. AMOUNT DUE FROM/TO HOLDING COMPANY/A FELLOW SUBSIDIARY/A RELATED COMPANY

The advances are unsecured, non-interest bearing and has no fixed repayment terms.

18. DEFERRED TAX

The following is the deferred tax assets recognised by the Target Company II.

	Tax losses	Total
	HK$'000	*HK$'000*
At 20 March 2015	–	–
Credit to profit or loss for the period	534	534
At 31 March 2016 and 1 April 2016	534	534
Charge to profit or loss for the year	(108)	(108)
At 31 March 2017	426	426

At 31 March 2016 and 2017, the Target Company II has unused tax losses of approximately HK$3,235,000 and HK$2,583,000 respectively available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$534,000 and HK$426,000 of such losses respectively.

19. SHARE CAPITAL

	2016	2017
	HK$'000	*HK$'000*
Issued and fully paid:		
10,000 shares	10	10

The Target Company II's objectives when managing capital are to safeguard the Target Company II's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

20. OPERATING LEASE COMMITMENTS

The Target Company II as lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2017
	HK$'000	*HK$'000*
Within one year	5,940	6,060
In the second to fifth years inclusive	12,375	6,815
	18,315	12,875

21. CONTINGENT LIABILITIES

At the end of each reporting period, the Target Company II did not have any significant contingent liability.

22. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information II, the Target Company II had the following transactions with a related party during the Relevant Periods II.

	20/3/2015 to 31/3/2016	Year ended 31/3/2017
	HK$'000	*HK$'000*
Rental expense paid to a related company	4,084	4,555

All directors, Mr. Wang Chi Hung and Ms. Cheung Hei Nga Isabella, have significant influence over the related company.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company II in respect of any period subsequent to 31 March 2017.

HB Hotels is a company incorporated in the BVI with limited liability on 20 March 2015. As at the Latest Practicable Date, HB Hotels was wholly owned by HB Vendor. Its principal activity is the provision of hotel management services. HB Hotels is currently leasing the Hotel Portion from Ever Praise (i) for a term of four years commencing from 1 May 2015 (with an option to renew for a further term of three years commencing from 1 May 2019) at HK$5,940,000 per annum with a rent-free period for a term commencing on 1 May 2015 and expiring on 30 April 2016 (in respect of the Hotel Portion except the fourth floor of the Hotel Property) and (ii) for a term of five years commencing from 1 June 2016 at HK$120,000 per annum (in respect of the fourth floor of the Hotel Property). In respect of the fourth floor of the Hotel Property, HB Hotels has entered into a tenancy agreement with a third party for a term of five years commencing from 1 June 2016 at a basic monthly rent of HK$15,000 for the first nine months and the basic monthly rent of HK$18,000 for the remaining term of the lease and additional turnover rent calculated at 10% for every extra HK$10,000 of monthly revenue of the tenant exceeding HK$180,000 (subject to a maximum monthly rent (i.e. the sum of basic rent and turnover rent) of HK$45,000 in aggregate). It is responsible for the management and operation of the Hotel Portion (except the fourth floor of the Hotel Property).

HB Hotels' financial year begins from 1 April and ends on 31 March. Reference to "FY2017" means the financial years ended 31 March 2017. Set out below is the management discussion and analysis of HB Hotels for each of the period from 20 March 2015 to 31 March 2016 and FY2017.

FOR THE PERIOD FROM 20 MARCH 2015 (DATE OF INCORPORATION) TO 31 MARCH 2016

Business and financial review

During the period under review, HB Hotels as a lessee and Ever Praise as a lessor entered into a tenancy agreement for a term of four years commencing from 1 May 2015 (with an option to renew for a further term of three years commencing from 1 May 2019) at HK$5.94 million per annum (in respect of the Hotel Portion except the fourth floor of the Hotel Property).

It commenced the operation from 1 May 2015 and it recorded revenue of HK$10.8 million which represented the hotel service income. For the period under review, it recorded a net loss of approximately HK$3.2 million, primarily attributable to costs of service rendered of approximately HK$13.4 million which mainly consist of (i) salaries and allowances and (ii) rental expense. The net loss recorded by HB Hotels was due to the low occupancy rate as the hotel business was newly commenced by HB Hotels.

Capital structure, liquidity and financial resources

During the period under review, HB Hotels met its working capital and other liquidity requirement mainly through a combination of loans from holding company and loans from related company.

As at 31 March 2016, HB Hotels had cash of approximately HK$5.4 million. The majority of HB Hotels' assets was cash and cash equivalents of approximately HK$5.4 million, while the majority of its liabilities were the amounts due to holding company, HB Vendors, of approximately HK$5.2 million and amounts due to a related company, Ever Praise, of approximately HK$4.1 million. Therefore, HB Hotels recorded net current liabilities of approximately HK$3.8 million as at 31 March 2016. The amounts due to shareholders and a related company are unsecured, non-interest bearing and have no fixed repayment terms.

During the period under review, HB Hotels did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 March 2016, HB Hotels' Current Ratio and Gearing Ratio were approximately 61.3% and approximately 136.5% respectively.

Employment and remuneration policy

The HB Hotel's remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. The average number of employees of the HB Hotel was 20 during the period under review. The total employee benefit expenses including salaries, bonus and allowances amounted to approximately HK$4.6 million.

Significant investment

During the period under review, HB Hotels did not hold any significant investment.

Future plans for material investments or capital assets

As at 31 March 2016, HB Hotels did not have any future plans for material investments or capital assets.

Acquisition or disposal of subsidiary

During the period under review, HB Hotels did not have any significant acquisition or disposal of any subsidiary or associated company.

Charges on assets

As at 31 March 2016, HB Hotels did not have any charges on assets.

Contingent liabilities

HB Hotels had no material contingent liabilities as at 31 March 2016.

Foreign exchange exposure

During the period under review, HB Hotels was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in HK dollars.

FOR THE PERIOD FROM 31 MARCH 2017

Business and financial review

During FY2017, Ever Praise as a lessor and HB Hotels as a lessee entered into a tenancy agreement for a term of five years commencing from 1 June 2016 at HK$0.12 million per annum in respect of the fourth floor of the Hotel Property. On the same day, HB Hotels as a lessor and an independent third party as a lessee entered into a tenancy agreement for a term of five years commencing from 1 June 2016 at a basic monthly rent of HK$15,000 for the first nine months and the basic monthly rent of HK$18,000 for the remaining term of the lease and additional turnover rent calculated at 10% for every extra HK$10,000 of monthly revenue of the tenant exceeding HK$180,000 (subject to a maximum monthly rent (i.e. the sum of basic rent and turnover rent) of HK$45,000 in aggregate) in respect of the fourth floor of the Hotel Property. As a result, HB Hotels recorded revenue of approximately HK$17.5 million, representing an increase of approximately 62.5%, which was due to the increase in occupancy rate in FY2017.

Capital structure, liquidity and financial resources

During FY2017, HB Hotels mainly financed its operations by the cash flow from operations.

As at 31 March 2017, HB Hotels had cash of approximately HK$5.8 million. The majority of HB Hotels' assets was cash and cash equivalents of approximately HK$5.8 million, while the majority of its liabilities were the amounts due to holding company, HB Vendors, of approximately HK$5.1 million and amounts due to a related company, Ever Praise, of approximately HK$2.1 million. Therefore, HB Hotels recorded net current liabilities of approximately HK$1.3 million as at 31 March 2017. The amounts due to shareholders and a related company are unsecured, non-interest bearing and have no fixed repayment terms.

During FY2017, HB Hotels did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 March 2017, HB Hotels' Current Ratio and Gearing Ratio were approximately 83.1% and approximately 105.0% respectively. The increases in Current Ratio and the improvement in Gearing Ratio were mainly due to the decrease in amount due to a related company, Ever Praise, as at 31 March 2017.

Employment and remuneration policy

The HB Hotels' remuneration policies were primarily based on the prevailing market rates and the performance of individual employees. The average number of employees of the HB Hotels was 21 during FY2017. The total employee benefit expenses including salaries, bonus and allowances amounted to approximately HK$5.2 million.

Significant investment

During FY2017, HB Hotels did not hold any significant investment.

Future plans for material investments or capital assets

As at 31 March 2017, HB Hotels did not have any future plans for material investments or capital assets.

Acquisition or disposal of subsidiary

During FY2017, HB Hotels did not have any significant acquisition or disposal of any subsidiary or associated company.

Charges on assets

As at 31 March 2017, HB Hotels did not have any charges on assets.

Contingent liabilities

HB Hotels had no material contingent liabilities as at 31 March 2017.

Foreign exchange exposure

During FY2017, HB Hotels was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in HK dollars.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

(1) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

Capitalised terms used herein shall have the same meanings as those defined in this Circular, unless the context requires otherwise.

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Statement") has been prepared to illustrate the effect of the acquisition of the Ever Praise and HB Hotels (the "Acquisitions"), assuming the transaction had been completed as at 31 December 2016, might have affected the financial position of the Group.

The Statement is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2016 as extracted from the interim report of the Group for the six months ended 31 December 2016 and the audited statements of financial position of the HB Hotels as at 31 March 2017 as extracted from the accountants' report as set out in Appendix IV of this Circular after making certain pro forma adjustments resulting from the Acquisitions.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisitions actually occurred on 31 December 2016. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of this Circular, the financial information of the HB Hotels as set out in Appendix IV of this Circular and other financial information included elsewhere in this Circular.

(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group at 31 December 2016 HK$'000 (Note 1)	The Target Company II at 31 March 2017 HK$'000 (Note 2)	Total HK$'000	Pro forma adjustments HK$'000	Notes	Pro forma Enlarged Group HK$'000
Non-current assets						
Property, plant and equipment	283	645	928			928
Investment property	60,000	–	60,000			60,000
Intangible assets	468,577	–	468,577			468,577
Goodwill	–	–	–	12,473	3	12,473
Interest in associates	80,901	–	80,901	189,000	4	269,901
Deferred tax assets	–	534	534			534
	609,761	1,179	610,940			812,413
Current assets						
Trade and other receivables	261,583	713	262,296	2	5	262,298
Amount due from a fellow subsidiary	–	2	2	(2)	5	–
				5,178	3	
Amount due from Target Company II	–	–	–	(5,178)	7	–
	–	–	–	(15,000)	3	
Cash and cash equivalents	644,775	5,360	650,135	(189,000)	4	446,135
	906,358	6,075	912,433			708,433
Current liabilities						
Accruals and other payables	9,444	655	10,099			10,099
Amount due to a related company	–	4,072	4,072			4,072
				5,178	3	
Amount due to the Group	–	–	–	(5,178)	7	–
Amount due to holding company	–	5,178	5,178	(5,178)	3	–
Bank borrowings	15,239	–	15,239			15,239
	24,683	9,905	34,588			29,410
Net current assets/(liabilities)	881,675	(3,830)	877,845			679,023
NET ASSETS/(LIABILITIES)	1,491,436	(2,651)	1,488,785			1,491,436
EQUITY						
Capital and reserve						
Share capital	1,171,921	10	1,171,931	(10)	6	1,171,921
Reserves	(83,864)	(2,661)	(86,525)	2,661	6	(83,864)
Equity/(deficit) attributable to owners of the Company	1,088,057	(2,651)	1,085,406			1,088,057
Non-controlling interests	403,379	–	403,379			403,379
Total equity/(deficit)	1,491,436	(2,651)	1,488,785			1,491,436

(3) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) The balances have been extracted from the unaudited consolidated statement of financial position of the Group as at 31 December 2016 as set out in the interim report of the Company for the six months ended 31 December 2016.

(2) The assets and liabilities of the HB Hotels as at 31 March 2017 are extracted from the accountants' report of the HB Hotels as set out in Appendix IV to this Circular.

(3) The adjustment reflects the recognition of goodwill of approximately HK$12,473,000, arising from the acquisition of entire equity interest in the HB Hotels, as if the Acquisitions had been completed on 31 December 2016.

For the preparation of the unaudited pro forma assets and liabilities of the Enlarged Group, the net liabilities of HB Hotels of approximately HK$2,651,000 have been assumed to approximate the fair values of the underlying assets and liabilities of the HB Hotels at the completion of the Acquisitions.

The amount due to holding company of the HB Hotels of approximately HK$5,178,000 assigns to the Group as an asset (the "Assignment Asset") pursuant to the HB Acquisition Agreement as if the Acquisitions had taken place on 31 December 2016.

The goodwill of approximately HK$12,473,000 is calculated based on the excess of the acquisition consideration of HK$15,000,000 over the net liabilities and the Assignment Asset. Since the actual fair values of assets and liabilities of the HB Hotels at the completion date of the Acquisitions would be different from the amounts used in the preparation of the unaudited pro forma assets and liabilities of the Enlarged Group, the actual goodwill arising from the Acquisitions to be recognised by the Group might be different from the amount shown in this note.

According to the Group's accounting policy, after initial recognition, the goodwill will be measured at cost less any accumulated impairment losses. The goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the goodwill is, from the Completion Date, allocated to the Group's cash generating units, that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Further, impairment is determined by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than the carrying amount of the units, an impairment loss will be recognised by reducing the carrying amount of any goodwill allocated to the units at first.

For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Company has assessed if here is any impairment loss on the goodwill arising from the Acquisitions in accordance with the Hong Kong Accounting Standard No. 36 Impairment of Assets which is consistent with the Company's accounting policy. The Directors are of the view that, after performing the impairment assessment, there is no impairment indication of the goodwill arising from the Acquisitions as set out in the section under Unaudited Pro Forma Financial Information.

The Directors confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group is consistent with the accounting policies of the Group, and the accounting policies and the principal assumptions will be consistently adopted in the financial statements of the Enlarged Group.

Zhonghui Anda, the Company's reporting accountant and auditor, has assessed the impairment of the Enlarged Group's goodwill under Hong Kong Accounting Standard No. 36 Impairment of Assets and agreed with the impairment assessment on the goodwill made by the Board and its basis. They will adopt consistent accounting policies, principal assumptions valuation method to assess the impairment of the Enlarged Group's goodwill in the Company's future financial statements.

(4) The adjustments reflects the recognition of investment in an associate of approximately HK$189,000,000, arising from the acquisition of entire equity interest in the Ever Praise with the Consideration of approximately HK$189,000,000, as if the Acquisitions had been completed on 31 December 2016.

(5) The adjustments represent accounts reclassification upon completion of the Acquisitions as if it had taken place on 31 December 2016.

(6) The adjustments represent the elimination of the issued capital and pre-acquisition reserves of the HB Hotels.

(7) The adjustments represent the elimination of the balances between the Group and the HB Hotels.

(8) Save as set out above, the Statement does not take into account any trading results or other transactions of the Group and the Ever Praise and HB Hotels subsequent to the date of the financial statements as included in the Statement.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇
ZHONGHUI

The Board of Directors
Neptune Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Neptune Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2016 and related notes (the "Statement") as set out in Appendix VI of the circular issued by the Company dated 29 May 2017 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are set out in Appendix VI of the Circular.

The Statement has been compiled by the Directors to illustrate the impact of the proposed acquisition of the 30% interest in the Target Company I and 100% interest in the Target Company II on the Group's financial position as at 31 December 2016 as if the transaction had taken place on 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group' s condensed financial statements as included in the interim report for the six months ended 31 December 2016, on which no review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– The related pro forma adjustments give appropriate effect to those criteria; and

– The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant' s judgment, having regard to the reporting accountant' s understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Wan Ho Yuen
Audit Engagement Director
Practising Certificate Number P04309

Hong Kong, 29 May 2017

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 31 March 2017 of the property interest of Ever Praise.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

29 May 2017

The Directors
Neptune Group Limited
Room 3328C, 33rd Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Neptune Group Limited (the "Company") for us to assess the market value of the property interest held by Ever Praise Enterprises Limited which is to be acquired by the Company and its subsidiaries (together referred to as the "Group") located in Hong Kong. We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our independent and informed opinion of the market value of the property as at 31 March 2017 (the "valuation date").

BASIS OF VALUATION

Our valuation of the property has been based on the Market Value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGY

In valuing the property, we have adopted the Direct Comparison Valuation Method assuming sale in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have been made to account for the differences between the property and the comparables in terms of time, location, accessibility, direction, view, number of rooms, layout, age and other relevant factors.

TITLE INVESTIGATION

We have caused land searches to be made at the Land Registry and have been provided with extracts of tenancy agreements. We have been advised by the Group that no further relevant documents which materially affects the market value of the property have been omitted or withheld. However, we have neither examined the original documents of property title to verify ownership nor to ascertain the existence of any amendments to the covenants of such documents, which do not appear on the extracts handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the property was sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the market value of the property.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and none of sale under repossession is assumed in our valuation.

VALUATION CONSIDERATIONS

Inspection of the property was conducted by Mr. Andy Lee (MSC in Surveying, MRICS) in March 2017. We have inspected the exterior and, wherever possible, the interior of the property except where the property is covered, inaccessible, and unexposed to our actual notice. During the course of our inspection, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the property is free from rot, infestation or any other structural defects. None of tests were carried out on any of the building services.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identifications of the property and all other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the property but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your advice that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the property is free from encumbrances, overriding interests, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Our valuation has been prepared under the generally-accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Declaration of the chartered surveyor's independent status

The valuation has been undertaken by the chartered surveyor acting as an external independent valuer qualified for the current purpose of the valuation. We have neither present nor prospective interest in the property, nexus with the Company, or hold interests in the value reported.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$).

Our summary of value and the valuation certificate are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Wong Yung Shing
LLB (Hon.) (London) Prof. Dip. (Est. Mgt) (HK Poly U) B.Sc. (Land Administration) (Hons.) (London), ACIArb, MHKIArb, MHKIREA, RPS (GP), FBuildE
Associate Director

Note:

Mr. Wong Yung Shing is a corporate member of The Hong Kong Institute of Surveyors (General Practice) and The Royal Institution of Chartered Surveyors (Valuation Pathway) since early 1990s and a Fellowship Member of Chartered Association of Building Engineering. Since 1989, he has continuously practiced for the valuation of corporeal and incorporeal properties and business valuation, including the valuation of properties in Hong Kong and the People's Republic of China, for diverse purposes and specialised in the expert witness services of property disputes, civil aviation, airport infrastructure, and valuation. He is the unique global record holder of Commonwealth Countries and Hong Kong Legal System (HKCFA Case No.: FAMV 18 of 2010).

SUMMARY OF VALUE

Property interest held by Ever Praise Enterprises Limited which is to be acquired by the Group in Hong Kong

Property	**Market Value in existing state as at 31 March 2017**
	HK$
Harbour Bay Hotel located at Nos. 1-3 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong	630,000,000
Total:	**630,000,000**

VALUATION CERTIFICATE

Property interest held by Ever Praise Enterprises Limited which is to be acquired by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2017 *HK$*
Harbour Bay Hotel located at Nos. 1-3 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong The whole of Kowloon Inland Lot No. 9914 and The Remaining Portion of Kowloon Inland Lot No. 9942	The property comprises a hotel building known as Harbour Bay Hotel erected on two land parcels with a total site area of approximately 218.2 sq.m. The property consists of a 20-storey hotel building with a total gross floor area of approximately 2,841.9 sq.m. in addition to 2 flat roofs on 4/F of gross floor area approximately 74.23 sq.m. The hotel portion of the property accommodates a total of 76 guestrooms. The conference room, business centre, gymnasium, study room, guestroom inventory & store rooms, function halls and executive office are accommodated on 1/F, 2/F, 3/F and 4/F respectively. The property is held under both Conditions of Regrant No. UB9988 and Conditions of Regrant No. UB10171 for a term of 150 years commencing on 25 December 1898. The total Government Rent is HK$286 per annum.	Refer to the Notes Nos. 4, 5, 6, 7 and 8 for the details of tenancy agreements of (i) hotel portion (except G/F and 4/F), (ii) Shop No. 1 on G/F, (iii) Shop Nos. 2 and 3 on G/F, (iv) headlease of 4/F, and (v) sublease of 4/F respectively.	630,000,000

Notes:

1. The property is situated in the central part of Tsim Sha Tsui district of Hong Kong which is within 5 minutes' walking distance to the Tsim Sha Tsui East MTR Station. The immediate locality is a commercial area.

2. The registered owner is Ever Praise Enterprises Limited vide Memorial No. 16031500050011 dated 30 December 2015.

3. The property is subject to an Occupation Permit No. K6/98 vide Memorial No. UB7661527 dated 24 March 1998.

4. For the tenancy details of the hotel portion (except G/F and 4/F):

   Pursuant to a tenancy agreement vide Memorial No. 16062901060035 dated 1 June 2016 entered into between Ever Praise Enterprises Limited and Harbour Bay Hotels Limited, the hotel portion (except G/F and 4/F) of the property is leased to Harbour Bay Hotels Limited for a term commencing on 1 May 2015 and expiring on 30 April 2019 at a monthly rent of HK$495,000 (inclusive of rates, government rent, management fees but exclusive of all outgoings consumed by the tenant) with a rent-free period for a term commencing on 1 May 2015 and expiring on 30 April 2016 and an option to renew for a further term of 3 years, for hotel purpose.

   Harbour Bay Hotels Limited is conferred to enjoy the landlord's rights of using the entrances, exits, staircases, landings, passages and lavatories (if any) of the building.

5. For the tenancy details of the Shop No. 1 on G/F:

   Pursuant to a tenancy agreement vide Memorial No. 15062600650013 dated 19 June 2015 entered into between Ever Praise International Limited and Golden Super Holdings Limited, shop no. 1 on Ground Floor of the property is leased to Golden Super Holdings Limited for a term commencing on 2 July 2015 and expiring on 1 July 2018 at a monthly rent of HK$145,000 (inclusive of rates, government rent, management fees and charges for electricity, water and gas) with a rent-free period at the 1st month, 13th month and 25th month, and with an option to renew for a further term of two years, for restaurant purpose. The increment of the renewed rent upon option to renew shall not be more than 25% than the original one.

6. For the tenancy details of the Shop Nos. 2 and 3 on G/F:

   Pursuant to a tenancy agreement vide Memorial No. 17012000650013 dated 10 January 2017 entered into between Ever Praise Enterprises Limited and Nature De Fleur Limited, shop nos. 2 & 3 of Ground Floor of the property is leased to Nature De Fleur Limited for a term commencing on 10 January 2017 and expiring on 9 January 2020 at a monthly rent of HK$16,800 (inclusive of rates, government rent, management fees and exclusive of other charges for electricity, water and gas consumed by the tenant) with a rent-free period of a month, for florist purpose.

7. For the headlease of 4/F:

   Pursuant to a headlease vide Memorial No. 16062901060013 dated 1 June 2016 entered into between Ever Praise Enterprises Limited and Harbour Bay Hotels Limited, 4th floor of the property is leased to Harbour Bay Hotels Limited for a term commencing on 1 June 2016 and expiring on 31 May 2021 at a monthly rent of HK$10,000 (inclusive of rates, government rent, management fees and exclusive of other charges for electricity, water and gas consumed by the tenant), for lounge and bar purposes.

8. For the sublease of 4/F:

   Pursuant to a sublease vide Memorial No. 16062901060025 dated 1 June 2016 entered into between Harbour Bay Hotels Limited and Cozy Corner Limited, 4th floor of the property is sub-leased to Cozy Corner Limited for a term commencing on 1 June 2016 and expiring on 31 May 2021. Details of the rents are shown as follows:-

   Basic Rent

   HK$15,000 per month from 1 June 2016 to 28 February 2017 and HK$18,000 per month from 1 March 2017 to 31 May 2021 (inclusive of rates, government rent, management fees but exclusive of other charges for electricity, water and gas consumed by the sub-tenant)

   Monthly Commission To Harbour Bay Hotels Limited

   10% of commission for every extra HK$10,000 with sales revenue of the sub-tenant for business conducted at the Premises which exceeds HK$180,000 per calendar month

   Maximum Monthly Rent

   The maximum monthly rent (i.e. the Basic Rent plus the monthly commission) is fixed at HK$45,000

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of each of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

(a) Interest in shares

As at the Latest Practicable Date, none of the directors and the chief executive had any interests or short positions in any shares of the Company or any of its associated corporations (within the meaning of part XV of the SFO), which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interest in options

Name of Director	Date of grant	Adjusted exercise price per Share	Exercisable period	Number of underlying Shares held	Approximate percentage of the Company's issued share capital *(Note)*
Mr. Danny Xuda Huang	1/4/2016	HK$0.610	1/4/2016 to 31/3/2026	4,178,000	0.60%
Mr. Nicholas J. Niglio	29/10/2007	HK$3.307	29/10/2007 to 28/10/2017	234,000	
	1/4/2016	HK$0.610	1/4/2016 to 31/3/2026	4,178,000	
				4,412,000	0.64%
Mr. Lin Chuen Chow, Andy	1/4/2016	HK$0.610	1/4/2016 to 31/3/2026	4,178,000	0.60%

Note: As at the Latest Practicable Date, the total number of Shares in issue was 692,436,675 Shares.

Save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial shareholders of the Company

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(a) Interests in the Company

Name	Capacity and nature of interest	Number of Shares interested		Approximate percentage of the Company's issued share capital *(Note 2)*
		Long position	Short position	
Mr. Wong Yau Shing	Beneficial owner	108,000,000	–	15.60%
Faith Mount Limited *(Note 1)*	Beneficial owner	205,125,000	–	29.62%
Ms. Lin Yee Man	Interest of controlled corporation	205,125,000	–	29.62%

Note 1: As at the Latest Practicable Date, Faith Mount Limited was wholly-owned by Ms. Lin Yee Man.

Note 2: As at the Latest Practicable Date, the total number of Shares in issue was 692,436,675 Shares.

(b) Interests in other members of the Group

As at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other person who had, or was deemed to have, interests or short positions in the shares or underlying shares of other members of the Group (except the Company).

Save as disclosed above and so far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or has, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS

(i) Interests in competing interests

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have an interest in any business which competes or is likely to compete or have any other conflict of interest, either directly or indirectly, with the business of the Enlarged Group.

(ii) Interests in contracts or arrangements

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement which was significant in relation to the business of the Enlarged Group.

(iii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 30 June 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or been proposed to enter, into any service contract with the Company or any other member of the Group which is not expiring or may not be terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

(i) (a) a pledge agreement dated 1 November 2016 entered into between Kuong Vai Meng (鄺偉明) ("**Mr. Kuong**"), Chang Hsiu Hua (張琇華) ("**Ms. Chang**") and Top Vast Finance Limited ("**Top Vast**") pursuant to which, Mr. Kuong and Ms. Chang pledged a property and a car parking space in Macau to Top Vast and the guarantee amount was HK$26,653,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Mr. Kuong, Ms. Chang and Top Vast, pursuant to which, the guarantee amount of HK$26,653,000 was changed to HK$24,510,000;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible Limited ("**Credible**"), Top Vast, Profit Forest Limited ("**Profit Forest**"), Hao Cai Entertainment Company Limited* ("**Hao Cai**"), Mr. Kuong and Ms. Chang, pursuant to which, Mr. Kuong and Ms. Chang provided guarantee on behalf of Hao Cai to the Group in respect of a property and a car parking space in Macau and the maximum guarantee amount was HK$24,510,000;

(ii) (a) a pledge agreement dated 1 November 2016 entered into between Mr. Kuong, Ms. Chang and Top Vast, pursuant to which, Mr. Kuong and Ms. Chang pledged a property in Macau to Top Vast and the guarantee amount was HK$9,059,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Mr. Kuong, Ms. Chang and Top Vast, pursuant to which, the guarantee amount of HK$9,059,000 was changed to HK$7,774,000;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Essence Gold Investment Limited ("**Essence Gold**"), Hoi Long Company Limited* (海龍一人有限公司) ("**Hoi Lung**"), Mr. Kuong and Ms. Chang, pursuant to which, Mr. Kuong and Ms. Chang provided guarantee on behalf of Hoi Lung to the Group in respect of a property in Macau and the maximum guarantee amount was HK$7,774,000;

(iii) (a) a pledge agreement dated 14 November 2016 entered into between Kuong Mei Fan (鄺美芬) and Top Vast, pursuant to which, Kuong Mei Fan pledged a property in Macau to Top Vast and the guarantee amount was HK$14,300,800;

(b) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Profit Forest, Hao Cai and Kuong Mei Fan, pursuant to which, Kuong Mei Fan provided guarantee on behalf of Hao Cai to the Group in respect of a property in Macau and the maximum guarantee amount was HK$14,300,800;

(iv) (a) a pledge agreement dated 1 November 2016 entered into between Lianghua (Macau) Investment Management Limited* (良華(澳門)投資管理有限公司) ("**Lianghua Macau**") and Top Vast, pursuant to which, Lianghua Macau pledged a property in Macau to Top Vast and the guarantee amount was HK$14,196,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Lianghua Macau and Top Vast, pursuant to which, the guarantee amount of HK$14,196,000 was changed to HK$13,885,200;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Profit Forest, Hao Cai and Lianghua Macau, pursuant to which, Lianghua Macau provided guarantee on behalf of Hao Cai to the Group in respect of a property in Macau and the maximum guarantee amount was HK$13,885,200;

(v) (a) a pledge agreement dated 1 November 2016 entered into between Kuong Meng Wa (鄺明華) and Top Vast, pursuant to which, Kuong Meng Wa pledged a property in Macau to Top Vast and the guarantee amount was HK$17,132,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Kuong Meng Wa and Top Vast, pursuant to which, the guarantee amount of HK$17,132,000 was changed to HK$14,996,000;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Best Move Investments Limited ("**Best Move**"), Hou Wan Entertainment Company Limited* (好運娛樂一人有限公司) ("**Hou Wan**") and Kuong Meng Wa, pursuant to which, Kuong Meng Wa provided guarantee on behalf of Hou Wan to the Group in respect of a property in Macau and the maximum guarantee amount was HK$14,996,000;

(vi) (a) a pledge agreement dated 1 November 2016 entered into between Mr. Kuong, Ms. Chang and Top Vast, pursuant to which, Mr. Kuong and Ms. Chang pledged a property in Macau to Top Vast and the guarantee amount was HK$2,580,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Mr. Kuong, Ms. Chang and Top Vast, pursuant to which, the guarantee amount of HK$2,580,000 was changed to HK$1,944,000;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Profit Forest, Hao Cai, Mr. Kuong and Ms. Chang, pursuant to which, Mr. Kuong and Ms. Chang provided guarantee on behalf of Hao Cai to the Group in respect of a property in Macau and the maximum guarantee amount was HK$1,944,000;

(vii) (a) a pledge agreement dated 1 November 2016 entered into between Kuong Yao Long (鄺耀龍), Feng Yong Mei (馮永梅) and Top Vast, pursuant to which, Kuong Yao Long and Feng Yong Mei pledged a property in Macau to Top Vast and the guarantee amount was HK$5,903,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Kuong Yao Long, Feng Yong Mei and Top Vast, pursuant to which, the guarantee amount of HK$5,903,000 was changed to HK$4,664,000;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Profit Forest, Hao Cai, Kuong Yao Long and Feng Yong Mei, pursuant to which, Kuong Yao Long and Feng Yong Mei provided guarantee on behalf of Hao Cai to the Group in respect of a property in Macau and the maximum guarantee amount was HK$4,664,000;

(viii) (a) a pledge agreement dated 1 November 2016 entered into between Mr. Kuong, Ms. Chang and Top Vast, pursuant to which, Mr. Kuong and Ms. Chang pledged a property in Macau to Top Vast and the guarantee amount was HK$4,730,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Mr. Kuong, Ms. Chang and Top Vast, pursuant to which, the guarantee amount of HK$4,730,000 was changed to HK$3,871,000;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Profit Forest, Hao Cai, Mr. Kuong and Ms. Chang, pursuant to which, Mr. Kuong and Ms. Chang provided guarantee on behalf of Hao Cai to the Group in respect of a property in Macau and the maximum guarantee amount was HK$3,871,000;

(ix) (a) a pledge agreement dated 1 November 2016 entered into between Mr. Kuong, Ms. Chang and Top Vast, pursuant to which, Mr. Kuong and Ms. Chang pledged a property in Macau to Top Vast and the guarantee amount was HK$3,624,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Mr. Kuong, Ms. Chang and Top Vast, pursuant to which, the guarantee amount of HK$3,624,000 was changed to HK$3,217,000;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Best Move, Hou Wan, Mr. Kuong and Ms. Chang, pursuant to which, Mr. Kuong and Ms. Chang provided guarantee on behalf of Hou Wan to the Group in respect of a property in Macau and the maximum guarantee amount was HK$3,217,000;

(x) (a) a pledge agreement dated 1 November 2016 entered into between No. 45 Taiji Museum Company Limited* (45號太極館(澳門)有限公司) ("**Taiji Museum**") and Top Vast, pursuant to which, Taiji Museum pledged certain properties in Macau to Top Vast and the aggregate guarantee amount was HK$42,804,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Taiji Museum and Top Vast, pursuant to which, the guarantee amount of HK$42,804,000 was changed to HK$31,399,860;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Essence Gold, Hoi Lung and Taiji Museum, pursuant to which, Taiji Museum provided guarantee on behalf of Hoi Lung to the Group in respect of certain properties in Macau and the maximum guarantee amount was HK$31,399,860;

(xi) (a) a pledge agreement dated 1 November 2016 entered into between Lianghua Macau and Top Vast, pursuant to which, Lianghua Macau pledged a property in Macau to Top Vast and the guarantee amount was HK$12,904,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Lianghua Macau and Top Vast, pursuant to which, the guarantee amount of HK$12,904,000 was changed to HK$9,466,140;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Best Move, Hou Wan and Lianghua Macau, pursuant to which, Lianghua Macau provided guarantee on behalf of Hou Wan to the Group in respect of a property in Macau and the maximum guarantee amount was HK$9,466,140;

(xii) (a) a pledge agreement dated 1 November 2016 entered into between Shao Kuo Chuan (邵國權) and Top Vast, pursuant to which, Shao Kuo Chuan pledged certain properties in Macau to Top Vast and the aggregate guarantee amount was HK$6,000,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Shao Kuo Chuan and Top Vast, pursuant to which, the guarantee amount of HK$6,000,000 was changed to HK$4,800,000;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Profit Forest, Hao Cai and Shao Kuo Chuan, pursuant to which, Shao Kuo Chuan provided guarantee on behalf of Hao Cai to the Group in respect of certain car parking spaces in Macau and the maximum guarantee amount was HK$4,800,000;

(xiii) (a) a pledge agreement dated 1 November 2016 entered into between Hun Ngan Kam (禤顏錦) and Top Vast, pursuant to which, Hun Ngan Kam pledged certain properties in Macau to Top Vast and the aggregate guarantee amount was HK$51,200,000;

(b) a supplemental agreement dated 14 November 2016 entered into between Hun Ngan Kam and Top Vast, pursuant to which, the guarantee amount of HK$51,200,000 was changed to HK$44,900,000;

(c) an agreement dated 23 November 2016 entered into between the Company, Credible, Top Vast, Profit Forest, Hao Cai and Hun Ngan Kam, pursuant to which, Hun Ngan Kam provided guarantee on behalf of Hao Cai to the Group in respect of a property in Macau and the maximum guarantee amount was HK$44,900,000;

(xiv) the EP Acquisition Agreement; and

(xv) the HB Acquisition Agreement.

* *The English translation of the Chinese name denoted in this paragraph is for illustration purpose only. Shall there be any inconsistencies, the Chinese name prevails.*

6. CLAIMS AND LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Zhonghui Anda CPA Limited	Certified Public Accountants
BMI Appraisals Limited	Independent professional valuer

Each of the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and/or opinion (as the case may be) and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above expert did not have any shareholding, directly or indirectly, in any member of the Enlarged Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above expert did not have any direct or indirect interest in any assets which had been, since 30 June 2016, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any members of the Enlarged Group.

8. GENERAL

(i) The registered office of the Company is situated at Room 3328C, 33/F China Merchants Tower Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(ii) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(iii) The company secretary of the Company is Mr. Lam Yick Man, who is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and an ordinary member of Hong Kong Securities and Investment Institute.

(iv) In case of inconsistencies, the English texts of this circular shall prevail over the Chinese texts thereof.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company situated at Room 3328C, 33/F China Merchants Tower Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from 9:00 a.m. to 5:30 p.m. on any business day from the date of this circular up to and including the date of the EGM:

(i) the articles of association of the Company;

(ii) the annual reports of the Company for the years ended 30 June 2015 and 30 June 2016;

(iii) the accountants' reports of Ever Praise and HB Hotels from Zhonghui Anda CPA Limited as set out in Appendices II and IV to this circular;

(iv) the report on the unaudited pro forma financial information of the Enlarged Group from Zhonghui Anda CPA Limited as set out in Appendix VI to this circular;

(v) the valuation report on the Hotel Property issued by BMI Appraisals Limited as set out in Appendix VII to this circular;

(vi) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(vii) the written consents referred to in the paragraph headed "Experts and consents" in this appendix; and

(viii) this circular.

NEPTUNE GROUP LIMITED
海王國際集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00070)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Neptune Group Limited (the "**Company**") will be held at 11:00 a.m. on Tuesday, 20 June 2017 at Meeting Room of Soho 1, 6/F, Ibis Hong Kong Central & Sheung Wan, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

"**THAT**:

1. the sale and purchase agreement dated 4 May 2017 (as supplemented and amended by a supplemental agreement dated 26 May 2017) entered into among Take Billion Holdings Limited ("**Take Billion**") (as vendor), Top Metro Ventures Limited (as purchaser and being a subsidiary of the Company) and Ms. Cheung Hei Nga Isabella ("**Ms. Cheung**") (as guarantor to Take Billion) in relation to the acquisition (the "**EP Acquisition**") of 30% of the entire issued shares in and shareholders' loans owing by Ever Praise Enterprises Limited, which owns the properties located at Nos. 1-3 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong, at an aggregate consideration of HK$189,000,000 (the "**EP Acquisition Agreement**") (a copy of the EP Acquisition Agreement has been tabled at the Meeting marked "A" and signed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

2. the sale and purchase agreement dated 4 May 2017 (as supplemented and amended by a supplemental agreement dated 26 May 2017) entered into among Harbour Bay Hotels Management Limited (the "**HB Vendor**") (as vendor), Best Fit Developments Limited (as purchaser and being a subsidiary of the Company) and Ms. Cheung and Mr. Wang Chi Hung (collectively as guarantors to the HB Vendor) in relation to the acquisition (the "**HB Acquisition**") of all the issued shares in and shareholder's loan owing by Harbour Bay Hotels Limited, which is principally engaged in hotel management business, at an aggregate consideration of HK$15,000,000 (the "**HB Acquisition Agreement**") (a copy of the HB Acquisition Agreement has been tabled at the Meeting marked "B" and signed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

3. any one director of the Company be and is hereby authorised to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things that are ancillary to the EP Acquisition and the HB Acquisition, as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the EP Acquisition Agreement and the HB Acquisition Agreement and the respective transactions contemplated thereunder."

By order of the Board
Neptune Group Limited
Lin Chuen Chow, Andy
Executive Director

Hong Kong, 29 May 2017

Registered Office:

Room 3328C, 33/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road
Central Hong Kong

Notes:

(1) A shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her behalf. A proxy needs not be a shareholder of the Company but must be present in person at the Meeting to represent the shareholder. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the office of the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited of Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof (as the case may be).

(3) Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting or any adjournment thereof (as the case may be) should he/she so wish and in such event, the form of proxy shall be deemed to be revoked.

(4) In the case of joint holders of a share in the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share in the Company as if he/she was solely entitled thereto; but if more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the name stands first in the register of shareholders of the Company in respect of the joint holding.

(5) As required under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited, all of the above resolutions will be voted by way of poll.

As at the date of this notice, the board of the Company comprises Mr. Danny Xuda Huang, Mr. Nicholas J. Niglio and Mr. Lin Chuen Chow, Andy as executive directors; and Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Miss. Yeung Hoi Ching as independent non-executive directors.