THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Offer Document or the offer contained herein, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Hong Fok Land International Limited (the "**Company**"), you should at once hand this Offer Document and the accompanying form of proxy and Acceptance Form (as defined herein) to the purchaser or the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

This Offer Document should be read in conjunction with the accompanying Acceptance Form, the contents of which form part of the terms and conditions of the Offer (as defined herein).

HONG FOK LAND INTERNATIONAL LIMITED
（鴻 福 國 際 有 限 公 司*）

(Incorporated in Bermuda with limited liability)

VOLUNTARY CONDITIONAL CASH OFFER BY TUS CORPORATE FINANCE LIMITED ON BEHALF OF HONG FOK LAND INTERNATIONAL LIMITED TO BUY-BACK ALL THE ISSUED SHARES OF HONG FOK LAND INTERNATIONAL LIMITED AT HK$0.55 PER SHARE AND INVOLVING AN APPLICATION FOR WHITEWASH WAIVER

Financial Adviser

TUS Corporate Finance Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Lego Corporate Finance Limited
力高企業融資有限公司

A letter from the Board is set out on pages 6 to 18 of this Offer Document. A letter from TUS Corporate Finance Limited containing, among other things, details of the terms of the Offer is set out on pages 19 to 25 of this Offer Document. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 26 to 27 of this Offer Document. A letter from Lego Corporate Finance Limited containing its opinion and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 53 of this Offer Document.

A notice convening the SGM of Hong Fok Land International Limited to be held at Falcon Room, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 31 May 2019 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this Offer Document. Whether or not you are able to attend the said meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions thereon and return the same to the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

* *For identification purpose only*

26 April 2019

CONTENTS

Page

The timetable set out below is indicative only and is subject to change. Any changes to the expected timetable will be announced by the Company.

Event	**Date and Time**
Offer Period begins	Monday, 4 February 2019
Despatch of the Offer Document and notice of SGM	Friday, 26 April 2019
Latest time to lodge form of proxy for the SGM	11:00 a.m. on Wednesday, 29 May 2019
SGM	11:00 a.m. on Friday, 31 May 2019
Announcement of results of the SGM and whether the Offer has become unconditional	Friday, 31 May 2019
Latest time for lodging the Acceptance Forms and latest time for determining Shareholders' entitlement to participate in the Offer based on the records of the Administrator *(Notes 1 and 2)*	4:00 p.m. on Friday, 14 June 2019
Closing date of the Offer	Friday, 14 June 2019
Record Date	Friday, 14 June 2019
Announcement of the results of the Offer	not later than 7:00 p.m. on Friday, 14 June 2019
Latest date for despatch of cheques to Accepting Shareholders and, if applicable, return of Share certificates to parties with unsuccessful tenders *(Note 3)*	Tuesday, 25 June 2019

Notes:

1. The above timetable assumes that the Offer is approved by the Independent Shareholders at the SGM and the Conditions are satisfied resulting in the Offer becoming unconditional on Friday, 31 May 2019.

2. Assuming that the resolution relating to the Offer and the Whitewash Waiver will also be approved by the Independent Shareholders and the Offer becomes unconditional on Friday, 31 May 2019, being the date of the SGM, the Offer will remain open for acceptance for a period of 14 days thereafter and will not be extended.

3. In order to accept the Offer, Qualifying Shareholders are required to submit to the Administrator the duly completed Acceptance Form in accordance with the instructions as set out in this Offer Document and on the Acceptance Form (which instructions form part of the terms and conditions of the Offer) on or before 4:00 p.m. on Friday, 14 June 2019.

4. Remittance for the total amounts due to Accepting Shareholders under the Offer will be made by the Company within seven Business Days following the later of (i) the Offer becoming or being declared unconditional and (ii) the Date of Receipt.

5. All references to date and time contained in this Offer Document refer to Hong Kong time and dates.

In this Offer Document, the following expressions have the following meanings unless the context otherwise requires:

"Acceptance Form(s)"	form(s) to be sent to the Shareholders as part of the Offer Document for acceptance of the Offer;
"Accepting Shareholder(s)"	the Qualifying Shareholder(s) accepting the Offer;
"acting in concert"	has the meaning ascribed to it under the Takeovers Code;
"Administrator"	Computershare Hong Kong Investor Services Limited, the administrator of the Company's share registrar in Hong Kong;
"Announcement"	the announcement dated 4 February 2019 made by the Company in respect of the Offer and the Whitewash Waiver;
"Barragan"	Barragan Trading Corp., a company incorporated in the British Virgin Islands with limited liability whose ultimate beneficial owner is Mr. Kuo Pao Chih, Keith (an individual residing in Singapore);
"Board"	the board of Directors;
"Business Day"	any day (other than a Saturday, Sunday or public holiday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business;
"Cheong's Family"	two individuals named Ms. Cheong Zee Yee Ling, Helen and Ms. Cheong Hooi Kheng, holding directly and/or indirectly an aggregate of approximately 0.36% interest in the Company as at the Latest Practicable Date;
"Codes"	Hong Kong Codes on Takeovers and Mergers and Share Buy-backs;
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
"Company"	Hong Fok Land International Limited, a company incorporated in Bermuda with limited liability;
"Concert Group"	HFC Subsidiaries, the Cheong's Family, Barragan, Dekker, Mr. Cheong PC and Mr. Cheong SE;

"Conditions"	the conditions to which the Offer is subject, as set out under the section headed "Conditions of the Offer" in this Offer Document;
"Date of Receipt"	the date of receipt by the Administrator on behalf of the Company, of the relevant duly completed Acceptance Form(s) and all related documents, as the case may be;
"Dekker"	Dekker Assets Ltd, a company incorporated in the British Virgin Islands with limited liability whose ultimate beneficial owner is Mr. Lee Keng Seng (an individual residing in Malaysia);
"Director(s)"	the director(s) of the Company;
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;
"Facility"	the loan facility in the amount of HK$300,000,000 granted by Nanyang Commercial Bank, Limited to the Group for the purpose of financing the Offer;
"Financial Adviser" or "TUS"	TUS Corporate Finance Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO;
"Group"	the Company and its subsidiaries from time to time;
"HFC Subsidiaries"	HF (Cayman), HF (HK) and HF Enterprises;
"HFLH"	Hong Fok Land Holding Limited, an indirect wholly-owned subsidiary of the Company;
"HF (Cayman)"	Hong Fok Corporation (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability;
"HF Enterprises"	Hong Fok Enterprises Limited, a company incorporated in Hong Kong with limited liability;
"HF (HK)"	Hong Fok Corporation (H.K.) Limited, a company incorporated in Hong Kong with limited liability;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;

"Hong Fok Corp" or "HFC"	Hong Fok Corporation Limited, a company incorporated in the Republic of Singapore and the shares of which are listed on The Singapore Exchange Securities Trading Limited;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	an independent committee of the Board comprising Mr. Chan Yee Hoi as an independent non-executive Director will be formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver, pursuant to the requirements of the Takeovers Code and the Share Buy-backs Code;
"Independent Financial Adviser"	Lego Corporate Finance Limited, a licensed corporation under the SFO registered to conduct Type 6 (advising on corporate finance) regulated activity under the SFO;
"Independent Shareholders"	the Shareholders other than (i) HFC Subsidiaries, the Cheong's Family, Barragan and Dekker; and (ii) any person who may be required to abstain from voting on the resolution in respect of the Offer and the Whitewash Waiver to be proposed at the SGM in accordance with the Takeovers Code and the Share Buy-backs Code;
"Irrevocable Undertakings"	the irrevocable undertakings given by the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker to the Company that they will not dispose of, transfer or otherwise deal in any of the Shares and accept the Offer;
"Latest Acceptance Time"	the latest time for receipt by the Administrator of the Acceptance Form submitted by the Shareholders, being 4:00 p.m. on Friday, 14 June 2019, or such later date as the Company may announce in accordance with the requirements of the Takeovers Code;
"Latest Practicable Date"	23 April 2019, being the latest practicable date prior to the printing of this Offer Document for the purpose of ascertaining information contained in this Offer Document;
"Mr. Cheong PC"	Mr. Cheong Pin Chuan, the joint chairman and joint managing director of the Company and a director of the HFC Subsidiaries and a brother of Mr. Cheong SE;

"Mr. Cheong SE"	Mr. Cheong Sim Eng, the joint chairman and joint managing director of the Company and a director of the HFC Subsidiaries and a brother of Mr. Cheong PC;
"Offer"	a conditional cash offer by the Financial Adviser on behalf of the Company to buy-back all Shares at the Offer Price from all Qualifying Shareholders;
"Offer Document"	an offer document to the Shareholders (containing the Acceptance Forms) to be issued by the Company in connection with the Offer and the Whitewash Waiver;
"Offer Period"	the period from the date of the Announcement, being 4 February 2019, to the date when the Offer closes, lapses or is withdrawn;
"Offer Price"	HK$0.55 per Share;
"Overseas Shareholder(s)"	Shareholder(s), whose addresses, as shown in the Register of Member, are outside Hong Kong;
"Qualifying Shareholder(s)"	the Shareholder(s) whose names appear on the Register at the close of the Offer;
"Register of Member"	the register of members of the Company;
"Relevant Period"	the period from 4 August 2018, being the date falling on the six months before the date of the Announcement, up to and including the Latest Practicable Date;
"SFC"	The Securities and Futures Commission of Hong Kong;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	a special general meeting of the Company to be held at Falcon Room, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 31 May 2019 at 11:00 a.m. or any adjournment thereof in connection with the Offer and the Whitewash Waiver;
"S$"	Singapore dollars, the lawful currency of Singapore;
"Share(s)"	ordinary share(s) of the Company;
"Share Buy-backs Code"	the Code on Share Buy-backs;

"Shareholder(s)"	holder(s) of the Share(s);
"Singapore"	the Republic of Singapore;
"Takeovers Code"	the Code on Takeovers and Mergers;
"Target Acceptance"	the number of shares target to be bought-back pursuant to the Offer, being an aggregate of 309,198,321 Shares, representing the shares not already held by the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker who have irrevocably undertaken not to accept the Offer;
"Title Documents"	the relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title with respect to ownership of the Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof);
"Whitewash Waiver"	a waiver to be granted by the Executive in respect of the obligation of HF (Cayman) to make a mandatory general offer in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code for all the Shares not held by it and parties acting in concert with it, which may otherwise arise as a result of the completion of the Offer; and
"%"	per cent.

HONG FOK LAND INTERNATIONAL LIMITED
（鴻福國際有限公司*）

(Incorporated in Bermuda with limited liability)

Directors:
Mr. Cheong Pin Chuan
Mr. Cheong Sim Eng
Mr. Ng Lin Fung

Independent non-executive Director:
Mr. Chan Yee Hoi

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

26 April 2019

To the Shareholders

Dear Sir or Madam,

VOLUNTARY CONDITIONAL CASH OFFER BY TUS CORPORATE FINANCE LIMITED ON BEHALF OF HONG FOK LAND INTERNATIONAL LIMITED TO BUY-BACK ALL THE ISSUED SHARES OF HONG FOK LAND INTERNATIONAL LIMITED AT HK$0.55 PER SHARE AND INVOLVING AN APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

On 4 February 2019, the Board announces that a conditional cash offer will be made by TUS Corporate Finance Limited on behalf of the Company in compliance with the Codes, subject to the fulfilment of the Conditions, to buy-back all the issued shares of the Company for cancellation.

The purpose of this Offer Document is to provide you with, among other things, (i) detailed information relating to the Offer and the Whitewash Waiver; (ii) a letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting; (iii) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting; (iv) valuation reports; and (v) a notice of the SGM to consider and approve, if thought fit, the Offer and the Whitewash Waiver.

THE OFFER

The Offer will be made in full compliance with the Share Buy-backs Code and will be financed by the Facility. TUS Corporate Finance Limited, as the financial adviser to the Company, is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

The Shareholders will be subject to the Offer at the Offer Price. The Offer will take place in accordance with inter alia Share Buy-backs Code, the memorandum and articles of association of the Company and other applicable laws and regulations in Bermuda relating to the transfer and purchase of shares in companies incorporated in Bermuda.

TERMS OF THE OFFER

The salient terms of the Offer are as follows:

(a) The Financial Adviser will make the Offer to the Shareholders on behalf of the Company to buy-back Shares at the Offer Price;

(b) Qualifying Shareholders may accept the Offer in respect of their holdings in Shares at the Offer Price up to their entire shareholding;

(c) All the Shares stated in acceptances of the Offer will be bought-back to the fullest extent. No minimum number will be set for individual acceptance or the number of Shares to be bought-back under the Offer;

(d) Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code.

(e) Shares will be bought-back in cash, free of commission, levies, dealing charges and stamp duty given the register of members of the Company is in Bermuda;

(f) Shares bought-back will be cancelled and will not rank for purpose of any dividends declared pursuant to any record date set subsequent to the date thereof; and

(g) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of Acceptance Form by an Accepting Shareholder will be deemed to constitute a warranty by that Accepting Shareholder to the Financial Adviser and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature.

CONDITIONS OF THE OFFER

The Offer will be conditional upon fulfillment of all of the following conditions:

(a) the approval of at least 75% of the votes of the Independent Shareholders by way of poll and not more than 10% of the number of votes cast against the resolution approving the Offer at the SGM;

(b) the approval of at least 75% of the votes of the Independent Shareholders by way of poll at the SGM approving the Whitewash Waiver; and

(c) the Whitewash Waiver having been granted by the Executive and such waiver not being revoked.

The Offer is not conditional upon any minimum level of acceptance. The HFC Subsidiaries, the Cheong's Family, Barragan and Dekker (and any other person who may be required to abstain from voting in accordance with the Takeovers Code and the Share Buy-backs Code) will abstain from voting at the SGM on the resolution to approve the Offer and the Whitewash Waiver.

The Offer and the grant of the Whitewash Waiver will be subject to the approval of the Independent Shareholders at the SGM. **If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer will immediately lapse.**

If the Offer is declared unconditional, Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of at least 14 days thereafter. The Company will not extend the final closing date to a day beyond the 14th day after the Offer is declared unconditional.

Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code.

Detailed terms and conditions of the Offer will be set out in the Offer Document to be dispatched to the Shareholders as soon as practicable.

THE OFFER PRICE AND THE TOTAL VALUE OF THE OFFER

The Offer Price of HK$0.55 per Share values the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK$820.8 million. The Offer Price represents an implied price-to-book ratio of 0.22 to the Group's net asset value per Share of approximately HK$2.46 pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2018.

Due to the lack of public trading market of the Shares, the Offer Price was determined after taking into account, among other things, the latest available financial information of the Company including the valuation report on the Group's investment properties set out in

Appendices V-A and V-B, the prevailing market conditions and sentiments, the share prices and historical price-to-book value range of certain listed companies in Hong Kong with similar scale and business nature as the Group as well as the available financial resources of the Group. The Directors are of the opinion that, the Offer Price represents a discount to the Group's net asset value per Share because the Group is not a listed company, however the Offer is a good opportunity for Qualifying Shareholders to realise their investment and the intrinsic value of the Share.

Assuming there is no change in the issued share capital of the Company and up to the close of the Offer, a total of 1,492,410,986 Shares will be entitled to be tendered in acceptance of the Offer. On the basis of a total of 309,198,321 issued Shares (representing the Shares not already held by the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker who have irrevocably undertaken not to accept the Offer) will be accepted in full under the Offer, the cash payment obligation by the Company under the Offer would amount to approximately HK$170,059,077 based on the Offer Price of HK$0.55 per Share.

FINANCIAL RESOURCES

The Company would finance the consideration payable for the Offer by the Facility. The Company confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the Facility will not depend on any significant extent on the business of the Company.

TUS Corporate Finance Limited, the financial adviser to the Company in respect of the Offer, is satisfied that sufficient financial resources are available to the Company to satisfy payment of the consideration in respect of the full acceptance of the Offer.

PAYMENT

Payment in cash in respect of acceptance of the Offer would be made as soon as possible but in any event within seven business days (as defined under the Takeovers Code) following the later of (i) the Offer becoming or being declared unconditional and (ii) the Date of Receipt.

EFFECT OF ACCEPTING THE OFFER

The Offer is not conditional as to any minimum number of acceptances. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code.

Shares will be bought-back in cash, free of commission, levies, dealing charges and stamp duty.

Acceptance of the Offer by any Accepting Shareholder will, subject to the Offer becoming unconditional, be deemed to constitute a warranty by such Shareholder that all Shares sold by such Shareholder under the Offer are free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature, and are sold together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the date of the Offer being made.

All Shares bought-back under the Offer will be cancelled.

OVERSEAS SHAREHOLDERS

The making of the Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. The laws of the relevant jurisdictions may prohibit the making of the Offer to overseas Shareholders or require compliance with certain filing, registration or other requirements in respect of the Offer.

Based on the register of members of the Company as at 15 April 2019, there were a total of 57 Overseas Shareholders, who are based in Australia, Canada, the People's Republic of China, the United Kingdom, Guam, Japan, Macau, Malaysia, the Philippines, Singapore, Taiwan, the United States of America and the British Virgin Islands, with a total shareholding of 39,629,102 Shares, representing in aggregate approximately 2.66% of the total number of issued Shares as at 15 April 2019. The Company has been advised by its legal advisers on the laws of the above jurisdictions and noted that there are generally no legal restrictions that would apply to the extension of the Offer to such Overseas Shareholders under the respective jurisdictions.

It is the responsibility of each overseas Shareholder who wishes to accept the Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or legal requirements. Any acceptance of the Offer by any Qualifying Shareholder shall be deemed to constitute a representation and warranty from such Shareholder to the Company that all applicable local laws and requirements have been observed and complied with. Shareholders should consult their professional advisers if in doubt.

The Company shall give notice of any matter in relation to the Offer to the Shareholders by issuing announcements or advertisements in accordance with its bye-laws, the Share Buy-backs Code and the Takeovers Code and, if so given, shall be deemed to have been sufficient for all effective purposes, despite any failure by any overseas Shareholder to receive the same.

NOMINEE REGISTRATION OF SHARES

To ensure equality of treatment of all Qualifying Shareholders, those registered Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regards to the Offer.

WHITEWASH WAIVER

Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and given that the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker have irrevocably undertaken to the Company that they will not dispose of, transfer or otherwise deal in any of the Shares and accept the Offer, the interest of HF (Cayman) in the issued share capital of the Company may increase from approximately 37.20% to a maximum level of approximately 46.92% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for HF (Cayman) to make a mandatory general offer for all the Shares not already owned by it and the parties acting in concert with it upon the completion of the Offer.

An application has been made to the Executive by HF (Cayman) for the Whitewash Waiver. The Offer will be conditional upon approval of the Independent Shareholders voting by way of poll at the SGM and the Whitewash Waiver being granted by the Executive, which would also be subject to the approval of the Independent Shareholders voting by way of poll at the SGM. The Executive has agreed, subject to approval by the Independent Shareholders in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code, to waive any obligations to make a general offer which might result from the Offer.

If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the latter is not granted by the Executive, the Offer will not proceed.

As at the Latest Practicable Date, the Company does not believe that the transactions under the Offer and the Whitewash Waiver would give rise to any concern in relation to compliance with other applicable rules or regulations in Hong Kong or Bermuda. If a concern should arise after the release of this Offer Document, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the transactions under the Offer and the Whitewash Waiver do not comply with other applicable rules and regulations.

THE CONCERT GROUP

As at the Latest Practicable Date, the Concert Group comprises HFC Subsidiaries, the Cheong's Family, Barragan, Dekker, Mr. Cheong PC and Mr. Cheong SE. Save for HFC subsidiaries, the Cheong's Family, Barragan and Dekker were being approached for the Irrevocable Undertakings, no further discussion in relation to the Offer and Whitewash Waiver was made among the Company and between the members of the Concert Group.

Pursuant to the definition of "acting in concert" under the Takeovers Code, a company with any directors (together with their close relatives, related trusts and companies controlled by any of the directors, their close relatives or related trusts) of it or of its parent, its parent, its subsidiaries, its fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies will be presumed to be acting in concert with others unless the contrary is established. Ms. Cheong Zee Yee Ling, Helen is the spouse of Mr. Cheong PC and Ms. Cheong Hooi Kheng is the sibling of Mr. Cheong PC and Mr. Cheong SE. Mr. Cheong PC and Mr. Cheong SE are directors of the Company and directors of each of the HFC Subsidiaries. The Cheong's Family is therefore presumed to be acting in concert with HF (Cayman) in Class (8). In addition, according to Note 1 to the definition of "acting in concert" under the Takeovers Code, if an individual owns or controls 20% or more of the voting rights of a company in Class (1), he will be presumed to be acting in concert with one or more persons in Class (1) unless the contrary is established. Further, the definition of "associated company" under the Takeovers Code states that a company shall be deemed to be an associated company of another company if one of them owns or controls 20% or more of the voting rights of the other or if both are associated companies of the same company. Due to the interest of Barragan and Dekker in the issued share capital of the Company may increase to a maximum level of approximately 24.11% and 22.04%, respectively, upon completion of the Offer. Accordingly, Barragan and Dekker are presumed to be acting in concert with HF (Cayman). Save as disclosed above, there is no other actual or presumption for acting in concert between Barragan and Dekker with HF (Cayman) and parties acting in concert with it. As at the Latest Practicable Date, the ultimate beneficial owner of Barragan is Mr. Kuo Pao Chih, Keith (an individual residing in Singapore); and the ultimate beneficial owner of Dekker is Mr. Lee Keng Seng (an individual residing in Malaysia). Save for the shareholding in the Company as set out in the section headed "Changes in Shareholding Structure" below, each of Barragan and Dekker does not have other relationship with the Company, Mr. Cheong PC and HF (Cayman) as at the Latest Practicable Date.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below are the Company's existing shareholding structure and the shareholding structure in the event the Offer has been accepted in full (taking into account that the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker have irrevocably undertaken not to accept the Offer), and assuming that no additional Shares will be issued from the date of this Offer Document up to and including the date of completion of the Offer:

Name of Shareholder	Existing Shareholding		Immediately after completion of the Offer (taking into account that the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker have irrevocably undertaken not to accept the Offer)	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*
HF (Cayman)	555,202,784	37.20	555,202,784	46.92
HF (HK)	47,443,003	3.18	47,443,003	4.01
HF Enterprises	29,079,206	1.95	29,079,206	2.46
Cheong Zee Yee Ling, Helen *(1) (a)*	3,397,000	0.23	3,397,000	0.29
Cheong Hooi Kheng *(1) (b)*	2,000,000	0.13	2,000,000	0.17
Barragan	285,312,566	19.12	285,312,566	24.11
Dekker	260,778,106	17.47	260,778,106	22.04
Sub-total	1,183,212,665	79.28	1,183,212,665	100.00
Other Shareholders *(3)*	309,198,321	20.72	–	0.00
Total	1,492,410,986	100.00	1,183,212,665	100.00

Notes:

(1) (a) is the spouse of Mr Cheong PC and (b) is the sibling of Mr. Cheong PC and Cheong SE. Mr. Cheong PC and Cheong SE are directors of the Company and each member of the HFC Subsidiaries. (a) and (b) are presumed to be acting in concert with HF (Cayman) in Class (8) unless the contrary is established. Save as disclosed above, each of (a) and (b) has no direct relationship with any members of the Concert Group.

(2) Mr. Cheong PC and Mr. Cheong SE do not hold any Shares as at the Latest Practicable Date.

(3) There is no shareholding over 10% or move among these other Shareholders.

As at the Latest Practicable Date, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, save as disclosed above, the Concert Group does not hold, own, control or have direction over any Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares, or has entered into any outstanding derivative in respect of securities in the Company.

DEALING IN THE SHARES

The Company and its concerted parties has not bought-back any Shares during the Relevant Period, and will not conduct any on-market share buy-back from the date of this Offer Document up to and including the date at which the Offer closes, lapses or is withdrawn, as the case may be.

Each member of the Concert Group has confirmed (for itself and on behalf of parties acting in concert with them) that there has been no dealings in the securities in the Company by it/him/her and parties acting in concert with it/him/her during the Relevant Period.

OTHER ARRANGEMENTS

Save for the Irrevocable Undertakings, there is no arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Offer or the Whitewash Waiver, nor are there any outstanding derivative in respect of securities in the Company entered into by the Company, the Concert Group and parties acting in concert with them as at the Latest Practicable Date.

There is no agreement or arrangement, to which the Company is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Offer or the Whitewash Waiver (save as those set out in the above section headed "Conditions of the Offer" in this Offer Document).

None of the Company, the Concert Group and parties acting in concert with them has borrowed or lent any Shares.

Apart from the Irrevocable Undertakings, the Company has not received any irrevocable commitment to accept or not to accept the Offer as at the Latest Practicable Date.

INFORMATION ON THE GROUP

The Company is an unlisted public company incorporated in Bermuda on 26 March 2007, with a total of 1,953 Shareholders as at 15 April 2019. The principal business of the Group is property investment and management, and securities trading. The Company has 1,492,410,986 Shares in issue as at 15 April 2019. As at the Latest Practicable Date, Hong Fok Corp has an indirect interest of approximately 42.33% in the Company, held through the HFC Subsidiaries. HFLH, an indirect wholly-owned subsidiary of the Company, has an interest of approximately 20.60% in Hong Fok Corp. The executive directors of HFC are Mr. Cheong PC, Mr. Cheong SE and Ms Cheong Hooi Kheng and the non-executive directors of HFC are Mr. Chow Yew Hon, Mr. Lim Jun Xiong Steven and Mr. Chan Pengee, Adrian. The directors of HFLH are Mr. Cheong PC and Mr. Cheong SE.

The following table shows the major shareholding of 10% or more of Hong Fok Corp as at 28 March 2019:

Name of Shareholder	**Direct/Beneficial Interest**		**Deemed Interest**	
	No. of Shares	*%*	*No. of Shares*	*%*
Mr. Cheong PC	20,052,528	2.32	149,823,053 (a)	17.31
P.C. Cheong Pte Ltd (d)	96,089,584	11.10	–	–
Mr. Cheong SE	113,801,456	13.15	53,159,778 (b)	6.14
Mr. Cheong Kim Pong	99,824,099	11.54	43,985,758 (c)	5.08
HFLH	177,589,632	20.52	–	–

Notes

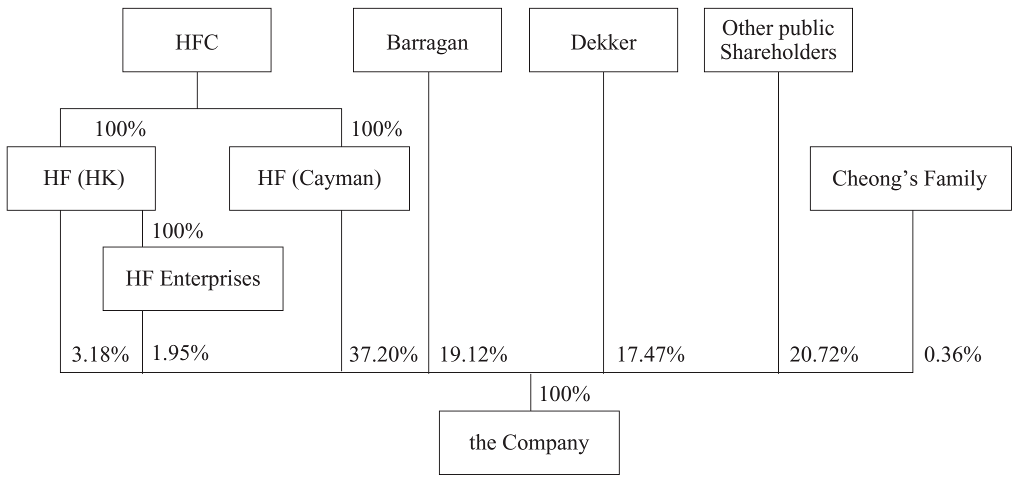
(a) This represents Mr. Cheong PC's deemed interest in the HFC Shares held by his spouse, P.C. Cheong Pte Ltd, Corporate Development Limited ("CDL") which is directly interested in approximately 0.94% of HFC Shares and Goodyear Realty Co. Pte. Ltd. ("Goodyear") which is directly interested in approximately 5.08% of HFC Shares. Goodyear is beneficially owned as to 25% by Mr. Cheong Kim Pong, 37.5% by Mr. Cheong PC and 37.5% by Mr. Cheong SE. The directors of Goodyear are Mr. Cheong Kim Pong, Mr. Cheong PC and Mr. Cheong SE. CDL is beneficially owned as to 50% by Mr. Cheong PC and 50% by Mr. Cheong SE. The directors of CDL are Mr. Cheong PC and Mr. Cheong SE.

(b) This represents Mr. Cheong SE's deemed interest in the HFC Shares held by his spouse, CDL and Goodyear.

(c) This represents Mr. Cheong Kim Pong's deemed interest in the HFC Shares held by Goodyear.

(d) P.C. Cheong Pte Ltd is beneficially owned by Mr. Cheong PC and his spouse (i.e. Ms. Cheong Zee Yee Ling, Helen). The directors are Mr. Cheong PC, his spouse and Mr. Cheong Tze Hong.

The following diagram is the shareholding structure of the Company as at the Latest Practicable Date:



FUTURE INTENTIONS ON THE GROUP

HF (Cayman) will be the single largest Shareholder of the Company after completion of the Offer. It intends to continue with the existing businesses of the Group and do not intend to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Company). Accordingly, there will be no major change to the existing businesses and employment of the existing employees of the Group as a result of the Offer. As at the Latest Practicable Date, there is no intention for HF (Cayman) to exercise any right of compulsory acquisition of the Company to buy out the remaining minority shareholding after completion of the Offer.

REASONS FOR THE OFFER

There is no open market for the trading of the Shares. The Offer will provide an opportunity for Shareholders to realise their investments in the Shares if they do not wish to retain an unlisted asset. Shareholders will have the opportunity to immediately receive cash for the Shares that they tender for the Offer with no additional transaction costs. Shareholders not accepting the Offer may retain their holdings and continue to participate directly in the future prospects of the Company.

FINANCIAL EFFECTS OF THE OFFER

The unaudited pro forma consolidated financial information of the Group upon completion of the Offer illustrating the financial impact of the Offer on the net assets per Share and basic earnings per Share, liabilities and working capital of the Group is set out in Appendix III of this Offer Document.

(i) Net assets per Share

Based on the unaudited pro forma consolidated financial information of the Group set out in Appendix III of this Offer Document and assuming that the Offer had been completed on 31 December 2018 and the Target Acceptance had been bought-back, the net assets per Share as at 31 December 2018 would, as a result, have increased by approximately 20.3% from approximately HK$2.46 per Share to approximately HK$2.96 per Share.

(ii) Basic earnings per Share

Based on the unaudited pro forma consolidated financial information of the Group set out in Appendix III of this Offer Document and assuming that Offer had been completed on 1 January 2018 and the Target Acceptance had been bought-back, the basic earnings per Share for the year ended 31 December 2018 would, as a result, have increased by approximately 24.8% from approximately 35.42 HK cents per Share to approximately 44.22 HK cents per Share.

(iii) Liabilities

The Offer will be funded by the Facility. The liabilities (including the current and non-current liabilities) as at 31 December 2018 would increase by approximately 32.4% from approximately HK$524.5 million to approximately HK$694.6 million. The Company expects to repay such increased liabilities by internal resources and the Facility as they fall due in the future.

(iv) Working capital

The working capital (expressed as net current assets) as at 31 December 2018 would decrease by approximately 12.5% from approximately HK$56.0 million to approximately HK$49.0 million (assuming approximately HK$170.1 million drawdown of the Facility used for settlement of the Offer and the estimated expenses of approximately HK$7 million directly attributable to the Offer paid by internal resources). The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirement after completion of the Offer.

Based on the above and having considered the manner of funding of the consideration for the Offer, the Company considers that completion of the Offer will have no material adverse effect on the Group's net assets per Share, basic earnings per Share or working capital.

SGM

The notice of SGM is set out on pages SGM-1 to SGM-2 of this Offer Document.

A form of proxy is enclosed with this Offer Document for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete the accompany form of proxy in accordance with the instructions thereon and return the same to the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

Pursuant to Rule 2.9 of the Takeovers Code, any matter required by the Takeovers Code to be approved by shareholder in general meetings must be conducted by way of a poll.

GENERAL

The HFC Subsidiaries, the Cheong's Family, Barragan and Dekker (and any other persons who may be required to abstain from voting in accordance with the Takeovers Code and the Share Buy-backs Code) will abstain from voting at the SGM on the resolution approving the Offer and the Whitewash Waiver.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 26 to 27 of this Offer Document. Your attention is also drawn to the letter of advice from the Independent Financial Adviser which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting, and the principal factors and reasons considered by it in arriving at such advice. The text of the letter from the Independent Financial Adviser is set out on pages 28 to 53 of this Offer Document.

Your attention is also drawn to the terms of the Offer as set out in Appendix I to this Offer Document, and the statutory and general information as set out in Appendix VI to this Offer Document.

WARNING: The Offer is subject to all of the Conditions being fulfilled in full. If the Whitewash Waiver is not granted by the Executive, or if the resolution to approve the Offer and the Whitewash Waiver is not passed by the Independent Shareholders, the Offer will not proceed and will immediately lapse.

Yours faithfully,
By Order of the Board
Hong Fok Land International Limited
Cheong Pin Chuan
Joint Chairman and Joint Managing Director

TUS Corporate
Finance Limited

To the Shareholders

26 April 2019

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
TUS CORPORATE FINANCE LIMITED
ON BEHALF OF HONG FOK LAND INTERNATIONAL LIMITED
TO BUY-BACK ALL THE ISSUED SHARES OF HONG FOK LAND
INTERNATIONAL LIMITED
AT HK$0.55 PER SHARE
AND
INVOLVING AN APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

On 4 February 2019, the Board announced that a conditional cash offer would be made by TUS on behalf of the Company in compliance with the Codes, subject to fulfilment of the Conditions, to buy-back all the issued Shares. The Qualifying Shareholders may accept the Offer by lodging the Acceptance Form for the sale of their Shares to the Company at the Offer Price of HK$0.55 per Share.

There is no minimum number of Shares proposed to be bought back under the Offer. If the Offer is fully accepted, it will result in the Company paying to the Accepting Shareholders HK$0.55 per Share, which will be paid in cash.

This letter sets out details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to this Offer Document and the accompanying Acceptance Form.

Your attention is drawn to the "Letter from the Board" as set out on pages 6 to 18 of this Offer Document. You are also strongly advised to read the "Letter from the Independent Board Committee" as set out on pages 26 to 27 of this Offer Document and the "Letter from Independent Financial Adviser" as set out on pages 28 to 53 of this Offer Document containing the advices to the Independent Board Committee and the Shareholders in respect of the Offer and the Whitewash Waiver.

THE OFFER

The Offer is being made by TUS on behalf of the Company subject to fulfilment of the Conditions to buy-back the Shares at the Offer Price.

For every Share . . . . HK$0.55 in cash

All Shareholders are entitled to accept the Offer by submitting Acceptance Forms for the sale of any number of their Shares to the Company.

The salient terms of the Offer are as follows:

(a) The Financial Adviser will make the Offer to the Shareholders on behalf of the Company to buy-back Shares at the Offer Price;

(b) Qualifying Shareholders may accept the Offer in respect of their holdings in Shares at the Offer Price up to their entire shareholding;

(c) All the Shares stated in acceptances of the Offer will be bought-back to the fullest extent. No minimum number will be set for individual acceptance or the number of Shares to be bought-back under the Offer;

(d) Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code.

(e) Shares will be bought-back in cash, free of commission, levies, dealing charges and stamp duty given the register of members of the Company is in Bermuda;

(f) Shares bought-back will be cancelled and will not rank for purpose of any dividends declared pursuant to any record date set subsequent to the date thereof; and

(g) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of Acceptance Form by an Accepting Shareholder will be deemed to constitute a warranty by that Accepting Shareholder to the Financial Adviser and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature.

In compliance with Rule 3 of the Share Buy-backs Code, the Offer will be subject to the approval by the Independent Shareholders by way of a poll. The Offer will also be subject to the other terms and conditions referred to under the section entitled "Conditions to the Offer" below.

THE OFFER PRICE

The Offer Price of HK$0.55 per Share values the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK$820.8 million. The Offer Price represents a discount of approximately 78% to the Group's net asset value per Share of approximately HK$2.46 pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2018.

CONDITIONS TO THE OFFER

The Offer will be conditional upon fulfillment of all of the following conditions:

(a) the approval of at least 75% of the votes of the Independent Shareholders by way of poll and not more than 10% of the number of votes cast against the resolution approving the Offer at the SGM;

(b) the approval of at least 75% of the votes of the Independent Shareholders by way of poll at the SGM approving the Whitewash Waiver; and

(c) the Whitewash Waiver having been granted by the Executive and such waiver not being revoked.

The Offer is not conditional upon any minimum level of acceptance. The HFC Subsidiaries, the Cheong's Family, Barragan and Dekker (and any other person who may be required to abstain from voting in accordance with the Takeovers Code and the Share Buy-backs Code) will abstain from voting at the SGM on the resolution to approve the Offer and the Whitewash Waiver.

The Offer and the grant of the Whitewash Waiver will be subject to the approval of the Independent Shareholders at the SGM. **If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer will immediately lapse.**

PROCEDURES FOR ACCEPTANCE

The Offer is open for acceptance from the date of this Offer Document, but payment of the Offer will only be made after the Offer has become unconditional. The consideration under the Offer will not be despatched unless the Acceptance Form is completed in all respects and the Title Documents have been received by the Company. Shares tendered under the Offer shall be paid for by the Company as soon as possible and in any event within seven Business Days following the later of (i) the Offer becoming or being declared unconditional and (ii) the Date of Receipt.

If the Offer is declared unconditional, Qualifying Shareholders will be able to tender their Shares under the Offer for a period of a further 14 days thereafter. The Company will not extend the final closing date to a day beyond the 14th day after the Offer is declared unconditional.

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Acceptance Form in accordance with the instructions printed in this Offer Document and the instructions printed on the Acceptance Form. The instructions in this Offer Document should be read together with the instructions on the Acceptance Form (which instructions form part of the terms of the Offer).

In order to be valid, the duly completed Acceptance Form should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Shareholder wishes to accept the Offer, by post or by hand to the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "Hong Fok Land International – Offer" as soon as possible after receipt of the Acceptance Form but in any event, no later than 4:00 p.m. (Hong Kong time) on Friday, 14 June 2019, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

No Acceptance Form received after the Latest Acceptance Time will be accepted.

If the Acceptance Form is executed by a person other than the registered holder, appropriate evidence of authority (for instance, a grant of probate or certified copy of a power of attorney) must be delivered to the Administrator with the completed Acceptance Form.

No acknowledgement of receipt of any Acceptance Form or Title Documents will be given.

Only one Acceptance Form may be submitted by each Qualifying Shareholder to the Administrator. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional unless in accordance with Rule 19.2 of the Takeovers Code.

OVERSEAS SHAREHOLDERS

The Company intends to make the Offer available to all Shareholders, including the Overseas Shareholders. As the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions, the Overseas Shareholders and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any relevant applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer.

It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdictions.

The Company and the parties acting in concert with it, TUS, the Independent Financial Adviser, the Administrator, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents or any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes as such persons may be required to pay.

Any acceptance by any Overseas Shareholders and overseas beneficial owners of the Shares will be deemed to constitute a representation and warranty from such Overseas Shareholders or overseas beneficial owners of the Shares, as applicable, to the Company that the local laws and requirements have been complied with. Overseas Shareholders and overseas beneficial owners of the Shares should consult their own professional advisers if in doubt.

NOMINEE REGISTRATION OF SHARES

Shareholders whose Shares are held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the Register of Member. To ensure equality of treatment of all Shareholders, those registered holders of the Shares who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer.

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Acceptance Forms, Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to or from them, or their designated agents, at their risk and none of the Company, TUS, the Independent Financial Adviser, the Administrator or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

SETTLEMENT

Subject to the Offer becoming unconditional and provided that a duly completed Acceptance Form, accompanied by the Title Documents are received by the Administrator by not later than the Latest Acceptance Time and are deemed to be in order, the Administrator will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer within seven Business Days following the later of (i) the Offer becoming or being declared unconditional and (ii) the Date of Receipt.

If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. In such an event, the Company will make an announcement in accordance with the Takeovers Code and send a notice of lapse of the Offer to the Shareholders.

Where such Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Shareholder will be sent (by ordinary post, at that Shareholder 's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

Settlement to the consideration to which any Accepting Shareholder is entitled under the Offer will be paid by the Company in full in accordance with the terms of the Offer set out in this Offer Document (including its appendices) and the accompanying Acceptance Form without regard to any lien, right of set-off, counterclaim or other analogous right to which the Company may otherwise be, or claim to be, entitled against such Accepting Shareholder.

TAX IMPLICATIONS

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasized that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, TUS, the Independent Financial Adviser, the Administrator or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of acceptance of the Offer by the Qualifying Shareholders.

WHITEWASH WAIVER

Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and given that the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker have irrevocably undertaken to the Company that they will not dispose of, transfer or otherwise deal in any of the Shares and accept the Offer, the interest of HF (Cayman) in the issued share capital of the Company may increase from approximately 37.20% to a maximum level of approximately 46.92% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for HF (Cayman) to make a mandatory general offer for all the Shares not already owned by it and the parties acting in concert with it upon the completion of the Offer.

An application will be made to the Executive by HF (Cayman) for the Whitewash Waiver. The Offer will be conditional upon approval of the Independent Shareholders voting by way of poll at the SGM and the Whitewash Waiver being granted by the Executive, which would also be subject to the approval of the Independent Shareholders voting by way of poll at the SGM.

SGM

The notice of SGM is set out on pages SGM-1 to SGM-2 of this Offer Document.

Your attention is also drawn to the information as set out in the appendices to this Offer Document which form part of the Offer Document.

Yours faithfully,
For and on behalf of
TUS Corporate Finance Limited
Michael Ngai
Managing Director

The following is the text of a letter of the Independent Board Committee to the Independent Shareholders in respect of the Offer and the Whitewash Waiver for inclusion in this Offer Document.

HONG FOK LAND INTERNATIONAL LIMITED
(鴻福國際有限公司*)

(Incorporated in Bermuda with limited liability)

26 April 2019

To the Independent Shareholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
TUS CORPORATE FINANCE LIMITED
ON BEHALF OF HONG FOK LAND INTERNATIONAL LIMITED
TO BUY-BACK ALL THE ISSUED SHARES OF HONG FOK LAND
INTERNATIONAL LIMITED
AT HK$0.55 PER SHARE
AND
INVOLVING AN APPLICATION FOR WHITEWASH WAIVER**

I have been appointed as member of the Independent Board Committee to advise you in respect of the Offer and the Whitewash Waiver, details of which are set out in the "Letter from the Board" in the document of the Company dated 26 April 2019 (the "**Offer Document**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Offer Document unless the context requires otherwise.

Your attention is drawn to the letter from TUS Corporate Finance Limited as set out on pages 19 to 25 of this Offer Document and Appendix I to this Offer Document containing the principal terms of the Offer, and the letter of advice from the Independent Financial Adviser, Lego Corporate Finance Limited ("**Lego**") as set out on pages 28 to 53 of this Offer Document, which contains its advice and recommendation to us in respect of the Offer and the Whitewash Waiver, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinion of, Lego as stated in the aforementioned letter of advice, I am of the opinion that the terms of the Offer are not fair and not reasonable so far as the Independent Shareholders are concerned. I however recommend the Independent Shareholders to vote in favour of the resolution to approve the Offer and the Whitewash Waiver at the SGM so as realise their investment in the Company as there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses.

I also concur with the advice of Lego and recommend the Independent Shareholders to accept the Offer.

Yours faithfully,
For and on behalf of
Independent Board Committee of
Hong Fok Land International Limited
Chan Yee Hoi
Independent Non-Executive Director

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Offer and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this Offer Document.

Lego Corporate Finance Limited
力高企業融資有限公司

26 April 2019

To the Independent Board Committee
and the Independent Shareholder(s)

Dear Sirs or Madams,

VOLUNTARY CONDITIONAL CASH OFFER BY
TUS CORPORATE FINANCE LIMITED
ON BEHALF OF HONG FOK LAND INTERNATIONAL LIMITED
TO BUY-BACK ALL THE ISSUED SHARES OF HONG FOK LAND INTERNATIONAL LIMITED AT HK$0.55 PER SHARE
AND
INVOLVING AN APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer and the application for Whitewash Waiver, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the Offer Document to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Offer Document unless the context otherwise requires.

On 4 February 2019, the Company announced that a voluntary conditional cash offer will be made by TUS Corporate Finance Limited on behalf of the Company to buy-back, subject to the Conditions, all the issued share capital of the Company as at the Latest Practicable Date. All Shares bought-back under the Offer will be cancelled. The Offer will be made by TUS Corporate Finance Limited on behalf of the Company at a price of HK$0.55 per Share in cash, payable by the Company from the Facility.

Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and given that the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker have irrevocably undertaken to the Company that they will not dispose of, transfer or otherwise deal in any of the Shares and accept the Offer, the interest of the HF (Cayman) in the issued share capital of the Company may increase from approximately 37.20% to a maximum level of approximately 46.92% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for HF (Cayman) to make a mandatory general offer for all the Shares not already owned by it and the parties acting in concert with it upon the completion of the Offer.

Accordingly, an application has been made to the Executive by the HF (Cayman) for the Whitewash Waiver.

The Independent Board Committee, comprising Mr. Chan Yee Hoi as an independent non-executive Director has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver.

We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we are not associated or connected with the Company, HF (Cayman) or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offer and the Whitewash Waiver, there were no other engagements between Lego Corporate Finance Limited and the Company or HF (Cayman). Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or HF (Cayman) or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Offer Document; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors, for which they are jointly and severally responsible for, or contained or referred to in the Offer Document were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Offer Document are true at the time they were made and continue to be true as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code during the Offer Period. We have also assumed that all such statements of belief, opinions and intentions of the Directors and those as set out or referred to in the Offer Document were reasonably made after due and careful enquiry. We have no reason to suspect that any material facts or information have been withheld or doubt the truth, accuracy and completeness of the information and representations contained in the Offer Document by the management of the Group or the Directors and/or the advisers of the Company, which have been provided to us.

We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Offer Document and that all information or representations provided to us by the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Offer Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors or the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries and associates.

BACKGROUND AND PRINCIPAL TERMS OF THE OFFER

On 4 February 2019, the Company announced that a voluntary conditional cash offer will be made by TUS Corporate Finance Limited on behalf of the Company in full compliance with the Share Buy-backs Code and the Takeovers Code, subject to the Conditions, to buy back up to 1,492,410,986 Shares, representing the entire issued share capital of the Company as at the Latest Practicable Date, from the Qualifying Shareholders on the following basis:

For each Offer Share . . . . **HK$0.55 in cash**

Value and total consideration of the Offer

As at the Latest Practicable Date, there are 1,492,410,986 Shares in issue and the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. Based on the Offer Price of HK$0.55 per Share, the entire issued share capital of the Company as at the Latest Practicable Date was valued at approximately HK$820.8 million.

Assuming that there is no change in the issued share capital of the Company and up to the close of the Offer, a total of 1,492,410,986 Shares will be entitled to be tendered in acceptance of the Offer. On the basis of a total of 309,198,321 issued Shares (representing the Shares not already held by the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker who have irrevocably undertaken not to accept the Offer) will be accepted in full under the Offer, the cash payment obligation by the Company under the Offer would amount to approximately HK$170,059,077 based on the Offer Price of HK$0.55 per Share (the "**Offer Value**").

As advised by the Directors, it is the intention of the Company to finance the total consideration payable by the Company under the Offer by the Facility. The Facility, which is in the amount of HK$300,000,000 granted by Nanyang Commercial Bank, Limited to the Group, will be secured by, among other things, one of the investment properties of the Group.

In compliance with Rule 3 of the Share Buy-backs Code, the Offer will be subject to the approval by the Independent Shareholders by way of a poll at the SGM. The Offer will also be subject to the other terms and conditions. Please refer to the section headed "Conditions to the Offer" in the Letter from the Board in the Offer Document for further details on the Conditions. If the Offer is declared unconditional, Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter. As disclosed in the Letter from the Board, the Company will not extend the final closing date to a day beyond the 14th day after the Offer is declared unconditional.

The HFC Subsidiaries, the Cheong's Family, Barragan and Dekker (and any other person who may be required to abstain from voting in accordance with the Takeovers Code and the Share Buy-backs Code) will abstain from voting at the SGM on the resolution approving the Offer and the Whitewash Waiver.

Future intentions on the Group

As disclosed in the Letter from the Board in the Offer Document, HF (Cayman) will be the single largest Shareholder of the Company after completion of the Offer. It intends to continue with the existing businesses of the Group and do not intend to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Company). Accordingly, there will be no major change to the existing businesses and employment of the existing employees of the Group as a result of the Offer. As at the Latest Practicable Date, there is no intention for HF (Cayman) to exercise any right of compulsory acquisition of the Company to buy out the remaining minority shareholding after completion of the Offer.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE OFFER

The following are the principal factors which we have taken into account in assessing the fairness and reasonableness of the Offer and the Whitewash Waiver and in giving our advice to the Independent Board Committee and the Independent Shareholders:

1. Background information of the Group

1.1. Principal businesses and information on the Group

The Company is an unlisted public company incorporated in Bermuda on 26 March 2007, with a total of 1,953 Shareholders as at 15 April 2019. The principal activities of the Group are property investment and management, and securities trading. The revenue of the Group derives primarily from rental income and revenue from provision of property management services and the Group's investments in properties are mainly located in Hong Kong and Singapore.

1.2. Historical financial information

The following table is a summary of the income statement of the Group for the years ended 31 December 2016, 2017 and 2018 as extracted from the annual reports of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**") and 31 December 2018 (the "**2018 Annual Report**"), respectively.

Table 1: Consolidated income statement of the Group

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*
Revenue			
– Gross rentals from investment properties	18,332	18,849	29,254
– Revenue from provision of property management services	221	–	–
Total Revenue	18,553	18,849	29,254
Gross profit	12,796	12,575	19,659
Gross profit margin	69.0%	66.7%	67.2%
Profit/(loss) for the year	**(9,038)**	**167,104**	**528,564**

Table 2: Profit/loss for the year before and after adjusting for net valuation gain on investment properties and one-off gain on disposals

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*
Profit/(loss) for the year	(9,038)	167,104	528,564
Less:			
Net valuation gain on investment properties	(40,093)	(189,669)	(582,359)
One-off gain on disposals	–	(23,720)	–
Adjusted (loss) for the year	**(49,131)**	**(46,285)**	**(53,795)**

(i) Revenue

For the year ended 31 December 2017, the revenue of the Group remained stable at approximately HK$18.8 million as compared to the revenue of approximately HK$18.6 million for the year ended 31 December 2016. As disclosed in the 2017 Annual Report, gross rentals from investment properties (namely Magazine Gap Towers (the "**Tower**") and Magazine Heights, which are the two residential buildings situated at Mid-Levels, Hong Kong (the "**Properties**"), and eleven residential units in Singapore) was the sole revenue source of the Group for the year ended 31 December 2017 and recorded no significant change as compared to that for the year ended 31 December 2016. There was no revenue recognised from the provision of property management services for the year ended 31 December 2017 because of the Group's cessation of providing the property management services to external customers in 2016.

The revenue of the Group increased from approximately HK$18.8 million for the year ended 31 December 2017 to approximately HK$29.3 million for the year ended 31 December 2018, representing an increase of approximately 55.9%. Gross rentals from investment properties remained as the sole revenue source of the Group for the year ended 31 December 2018. The increase in revenue was mainly because the Group resumed the leasing of the residential units of the Tower in March 2018 subsequent to the completion of renovation and refurbishment works (the "**Renovation and Refurbishment Works**") of Tower in the same month. As advised by the Directors, the occupancy rate of the Tower has increased gradually since the resumption of leasing of the Tower in March 2018 (where the occupancy rate was nil in March and April 2018 and only approximately 4% in May 2018) and it has reached approximately 67% as at the Latest Practicable Date. The Renovation and Refurbishment Works commenced in September 2015 and completed in March 2018 and therefore no revenue was generated from the Tower for the two years ended 31 December 2016 and 2017.

(ii) Gross profit and gross profit margin

The gross profit of the Group remained stable at approximately HK$12.6 million for the year ended 31 December 2017 as compared to the gross profit of approximately HK$12.8 million for the year ended 31 December 2016, which was in line with the stable trend of change in revenue. Nevertheless, the gross profit margin of the Group decreased to approximately 66.7% for the year ended 31 December 2017 from approximately 69.0% for the year ended 31 December 2016, which was primarily attributable to the increase in maintenance and repair cost and commission incurred in relation to the leasing of Magazine Heights as compared to that in the previous year.

The gross profit of the Group increased from approximately HK$12.6 million for the year ended 31 December 2017 to approximately HK$19.7 million for the year ended 31 December 2018, representing an increase of approximately 56.3%. The increase in gross profit was in line with the increase in the revenue for the year. The gross profit margin was relatively stable at approximately 67.2% for the year ended 31 December 2018 as compared to approximately 66.7% for the year ended 31 December 2017.

(iii) Net profit/loss for the year

The Group recorded a net profit of approximately HK$167.1 million for the year ended 31 December 2017, representing an increase of approximately HK$176.1 million as compared to the net loss of approximately HK$9.0 million for the year ended 31 December 2016. The increase in net profit was mainly attributable to (i) the increase in net valuation gain on investment properties of approximately HK$189.7 million taken into account the increased fair value of investment properties as at 31 December 2017 as compared to that as at 31 December 2016; and (ii) the recognition of one-off gain on disposal of subsidiaries of approximately HK$23.7 million, which is non-recurring in nature. As shown in the Table 2 above, if the financial impact of the unrealised fair value gain on investment properties and the one-off gain on disposal of subsidiaries were excluded, the loss for the year ended 31 December 2016 and the profit for the year ended 31 December 2017 would have adjusted to loss of approximately HK$49.1 million and approximately HK$46.3 million, respectively, which was mainly due to the suspension of leasing of the Tower in view of the Renovation and Refurbishment Works took place during the period between September 2015 and March 2018.

The profit of the Group amounted to approximately HK$528.6 million for the year ended 31 December 2018, representing to an increase of approximately 2.2 times or HK$361.5 million from the profit of approximately HK167.1 million for the year ended 31 December 2017. The increase in profit was primarily attributable to the increase in net valuation gain on investment properties of the Group of approximately HK$392.7 million from approximately HK$189.7 million for the year ended 31 December 2017 to approximately HK$582.4 million for the year ended 31 December 2018, with reference to the fair value of the investment properties of the Group set out in the property valuation reports (the "**Property Valuation Reports**") conducted by BMI Appraisals Limited and Savills Valuation and Professional Services (S) Pte Ltd (the "**Valuers**"), independent third party valuers, set out in Appendix V-A and Appendix V-B to this Offer Document. As shown in Table 2 above, without taking into account the financial impact of unrealised fair value gain on investment properties, the profit for the year ended 31 December 2018 would have adjusted to a loss of approximately HK$53.8 million, which was mainly due to (i) the suspension of leasing of the Tower in January and February 2018, which has resumed leasing in March 2018; (ii) no rental income was recognised from the leasing of the Tower in March and April 2018 given that the occupancy rate of the said period was nil; and (iii) the increase in finance cost of approximately HK$15.7 million as a result of the extension of maturity date of the bonds of the Group (the "**Bonds**") for two years to 9 March 2021 and thus trigger the re-valuation on the fair value of the Bonds with a higher effective interest rate, which is recurring in nature until the expiry of the Bonds.

In order for us to assess the revenue contribution by the rental income of the investment properties (including the Tower after the completion of the Renovation and Refurbishment Works) at full occupancy rate to the Group, we have discussed with the Directors and based on the assumptions that (i) the Renovation and Refurbishment Works have been completed and the average rent per square meter of the Tower was HK$796 throughout the year 2018; (ii) the occupancy rate of each of the Tower and Magazine Heights is 100% throughout the year 2018; (iii) save for the revenue and cost of sales, all other items in the consolidated income statement of the Group for the year ended 31 December 2018 remain constant, the Directors confirmed that the Group would still have recorded a loss before taxation (excluding the effect of valuation gain or loss in fair value of investment properties) for the year ended 31 December 2018, which was mainly due to (i) the operating and administrative expenses (mainly comprised rental expenses, utilities charges and staff costs) of approximately HK$51.9 million (2017: HK$52.1 million) incurred that are relatively fixed in nature; and (ii) the finance costs arising from the Bonds and bank borrowings of approximately HK$37.5 million (2017: HK$21.7 million) incurred which is recurring in nature.

Based on the above, we noted that, even if the Group is able to increase the occupancy rate of the Tower by leasing out the remaining residential units of the Properties, it is questionable whether the aggregate rental income to be generated from the Tower as well as Magazine Heights will be sufficient to cover the Group's stable operating expenses (which, as advised by the Directors, are relatively fixed in nature and is not correlative with the completion of Renovation and Refurbishment Works took place in March 2018) and the finance costs arising from the Bonds and bank borrowings (which is not correlated with the completion of Renovation and Refurbishment Works) in the future.

(iv) Financial position

Set out below is an extract of the financial position of the Group as at 31 December 2016, 2017 and 2018 from the 2017 Annual Report and 2018 Annual Report:

Table 3: Consolidated statement of financial position of the Group

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*
Investment properties	2,494,663	2,774,485	3,349,797
Non-current assets	3,116,800	3,700,930	4,098,774
Cash and cash equivalents	272,528	145,618	90,392
Current assets	276,670	157,714	94,565
Non-current assets held for sale	–	–	9,873
Total assets	**3,393,470**	**3,858,644**	**4,203,212**
Current liabilities	77,732	58,461	48,453
Non-current liabilities	512,942	530,561	476,067
Total liabilities	**590,674**	**589,022**	**524,520**
Net assets	**2,802,796**	**3,269,622**	**3,678,692**
Net asset value per Share	**HK$1.88**	**HK$2.19**	**HK$2.46**

The total assets of the Group increased by approximately HK$465.2 million or 13.7% from approximately HK$3,393.5 million as at 31 December 2016 to approximately HK$3,858.6 million as at 31 December 2017, of which approximately HK$2,774.5 million or 71.9% represented the Group's investment properties, mainly due to the combined effect of (i) the increase in the value of investment properties of approximately HK$279.8 million as a result of their net valuation gain of approximately HK$189.7 million for the year ended 31 December 2017; and (ii) the increase in fair value of long-term investments of approximately HK$293.0 million. The total liabilities of the Group remained relatively the same at approximately HK$590.7 million and HK$589.0 million as at 31 December 2016 and 31 December 2017, respectively. As a result, the net assets of the Group increased by approximately HK$466.8 million or 16.7% from approximately HK$2,802.8 million as at 31 December 2016 to approximately HK$3,269.6 million as at 31 December 2017.

The total assets of the Group further increased by approximately HK$344.6 million or approximately 8.9% from approximately HK$3,858.6 million as at 31 December 2017 to approximately HK$4,203.2 million as at 31 December 2018, of which approximately HK$3,349.8 million or 81.7% represented the Group's investment properties. The increase in total assets of the Group was mainly due to the combined effects of (i) the increase in value of investment properties held by the Group as at 31 December 2018 of approximately HK$575.3 million as compared to the balance as at 31 December 2017 primarily due to the increase in fair value of the investment properties, with reference to the Property Valuation Reports; (ii) the decrease in fair value of long-term investments as at 31 December 2018 of approximately HK$194.2 million as compared to the balance as at 31 December 2017 as a result of the decrease in the share price of HFC as at 31 December 2018 comparing to that as at 31 December 2017; and (iii) the decrease in cash and cash equivalents as at 31 December 2018 by approximately HK$55.2 million as compared to the balance as at 31 December 2017 primarily due to the settlement for the renovation and refurbishment work of the Tower, bond interests and the payment of the operating expenses for the Group's daily operations during the year ended 31 December 2018. The total liabilities of the Group decreased by approximately HK$64.5 million or approximately 11.0% from approximately HK$589.0 million as at 31 December 2017 to approximately HK$524.5 million as at 31 December 2018, which was primarily due to the decrease in carrying amount of Bonds as at 31 December 2018 by approximately HK$54.6 million as compared to the balance as at 31 December 2017 as a result of the extension of maturity date of the Bonds in March 2018 for two years (original expiry date: 9 March 2019) such that the Bonds shall be expired on 9 March 2021 and a valuation on the fair value of the Bonds as at 9 March 2018 has been conducted in compliance with the required accounting standard of the Group. As a result, the net assets of the Group increased by approximately HK$409.1 million or 12.5% from approximately HK$3,269.6 million as at 31 December 2017 to approximately HK$3,678.7 million as at 31 December 2018.

(v) Dividend

As advised by the Directors, we understand that since the incorporation of the Company in March 2007, no dividends have been declared/paid by the Company to its Shareholders. Given the current financial performance and cash outflow of the Group, the Directors have no current intention to declare any dividend for the Company. It appears that, based on the historical record with no dividend have been declared/paid to the Shareholders since its incorporation and the current view of the Directors mentioned above, it is uncertain whether the Company will make or declare or pay any dividends or generate any economic return to its Shareholders and hence the Offer provides an opportunity for the Shareholders to realise their investments in the Company.

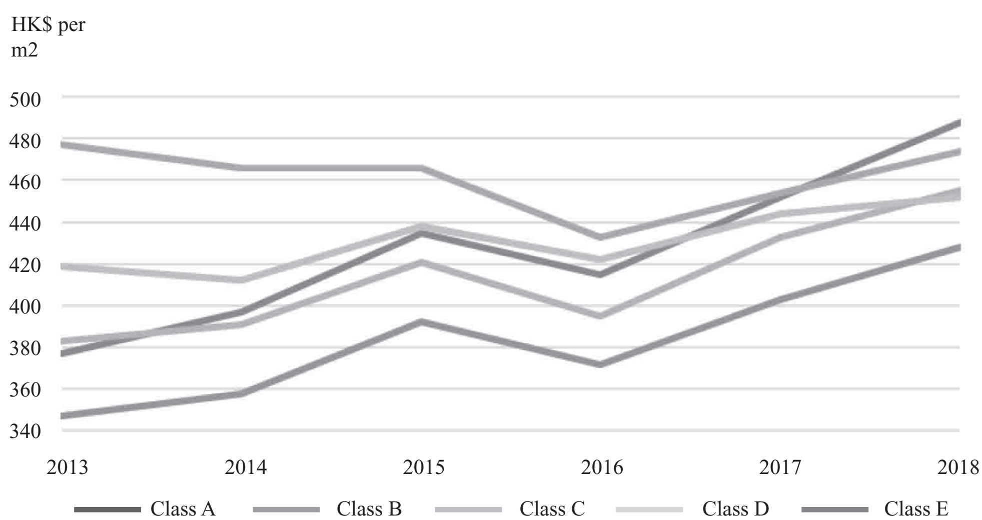
In general, (i) the Group's revenue; and (ii) the Group's losses excluding the net valuation gain in fair value of investment properties and one-off gain on disposals remained relatively stable at (a) approximately HK$18.6 million and HK$18.8 million; and (b) approximately HK$49.1 million and HK$46.3 million for the year ended 31 December 2016 and 2017, respectively. Despite that the Group's revenue increased to approximately HK$29.3 million for the year ended 31 December 2018 due to the increase in occupancy rate of the Tower, its loss position (excluding adjusting for net valuation gain in fair value of investment properties) however is remained, which amounted to approximately HK$53.8 million for the year ended 31 December 2018.

Although the occupancy rate of the Tower has increased gradually from approximately 4% in May 2018 and reached approximately 67% as at the Latest Practicable Date as mentioned above, the Directors are of the view that, having considered the recent property market in Hong Kong as further discussed in the below sub-section headed "1.3 Prospect and Outlook of the Group", it is uncertain as to whether the Group will be able to increase the occupancy rate of the Tower by leasing out the remaining residential units of the Properties in the near future; and even if the occupancy rate of the Tower as well as Magazine Heights can be raised, it is still questionable as to whether the aggregate rental income from the Tower and Magazine Heights are sufficient to cover the Group's stable operating expenses and finance costs as mentioned above.

1.3. Prospect and outlook of the Group

It is noted in the 2018 Annual Report that all revenue of the Group was contributed by gross rentals from investment properties and approximately 94.0% of the Group's investment properties were located in Hong Kong as at 31 December 2018. As advised by the Directors, as at 31 December 2018, the Company's investment properties mainly comprised the Properties while the saleable areas of each residential unit of the Tower and Magazine Heights are approximately 176 (being total saleable areas of the Tower of approximately 4,236 square meters divided by 24 residential units) and 195 or 390 (being total saleable areas of Magazine Heights of approximately 4,680.3 square meters with 22 residential units of approximately 195 square meters and one resident unit of approximately 390 square meters) square meters respectively Therefore, in order to assess the market of which the Group is generally operating, we have conducted research on the general outlook of the rental market of residential property in Hong Kong. According to the Rating and Valuation Department of Hong Kong Government (the "**HKRVD**"), the average rents of private residential property of Hong Kong Island, where the Properties are located, are as follows:

Average rents of private residential properties on Hong Kong Island



Source: Rating and Valuation Department, Hong Kong Government

As illustrated above, the average rents per square meter of class A properties (less than 40 square meters), class B properties (40 to 69.9 square meters), class C properties (70 to 99.9 square meters) and class D properties (100 to 159.9 square meters) on Hong Kong Island generally experienced growth for the past few years from 2013 to 2018 in which the average rents per square meter increased (i) from HK$377 to HK$488 for class A properties; (ii) from HK$347 to HK$429 class B properties; (iii) HK$383 to HK$455 for class C properties; and (iv) HK$419 to HK$452 for class D properties, representing a compound annual growth rate of approximately 5.3%, 4.3%, 3.5% and 1.5% respectively. However, the average rents per square meter of class E properties (160 square meters or above), in which the Properties belong, on Hong Kong Island decreased from HK$477 in 2013 to HK$473 in 2018, representing a decrease of compound annual growth rate of approximately 0.2%. Furthermore, according to the website of Midland Holdings Limited (https://en.midland.com.hk/property-price-chart/), a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which is one of the major real estate agency service providers in Hong Kong, the rental yield of residential property in Hong Kong generally declined from approximately 4.07% in January 2013 to approximately 3.54% in February 2019 (being the latest figure available as shown on the website of Midland Holdings Limited).

We have also reviewed the market rents per square meter of the completed leasing transactions since 1 January 2019 in relation to residential properties which are situated at Mid-Levels, Hong Kong which are considered to be close proximity to the Properties from the website of Centaline Property Agency Limited, being a major real estate agency service provider in Hong Kong (the "**Comparable Properties**"). We noted that the rent per square meter of the Comparable Properties ranged from approximately HK$387 to HK$829, with an average of approximately HK$557. The average rent per square meter of the Tower increased from approximately HK$430 before the Renovation and Refurbishment Works to approximately HK$796 after the Renovation and Refurbishment Works. As such, the average rent per square meter of the Tower of approximately HK$796 (after the Renovation and Refurbishment Works) is within the range of the rent per square meter of the Comparable Properties and higher than the average rent per square meter of the Comparable Properties.

As advised by the Directors, the Tower had undergone renovation and refurbishment works from September 2015 to enhance its facilities and such renovation works were completed in March 2018. Subsequent to the completion of the renovation, the Group started to lease out the residential units of the Tower in March 2018. However, as advised by the Directors, as at the Latest Practicable Date, the occupancy rate of the Tower has only achieved at about 67%. On the other hand, according to the HKRVD, the completion of the class E properties increased from 363 units in 2013 to 561 units in 2018. Despite that the Tower has completed renovation in early 2018 and increased its average rent per square meter after the renovation, in view of (i) the growing supply of private residential properties over the past few years together with the decreasing trend of the average rents per square meter of class E properties as discussed above; and (ii) the average rents per square meter of the Comparable Properties is approximately HK$557, which is offering a competitive rental price as compared to the average rent per square meter of the Tower of approximately HK$796, it is uncertain whether the Group will be able to increase the occupancy rate of the Tower by leasing out the remaining residential units of the Properties in the future.

Furthermore, according to the HKRVD, the price indices of overall private residential properties in Hong Kong increased from 242.4 in 2013 to 377.4 in 2018, representing a compound annual growth rate of approximately 9.3%. Given that the Group derives revenue primarily from gross rentals from residential properties in Hong Kong and the expansion of its portfolio may require acquisition of new properties in Hong Kong, the continued increase in the price of private residential properties in Hong Kong may therefore result in the Group being more difficult to acquire new properties for expanding its investment portfolio and lower its potential profitability.

On the other hand, however, according to the HKRVD, the price indices of the overall private residential properties in Hong Kong has experienced a compound annual growth rate of 9.3% from 2013 to 2018, and that the price indices of class E private residential properties increased from 267.4 in 2013 to 325.2 in 2018, representing a compound annual growth rate of approximately 4.0%. In this connection, we consider that, although the rental yield rate for class E properties may not be attractive over the past few years and experienced a decrease of compound annual growth rate of approximately 0.2%, taking into account the increasing trend of the price indices of the private residential properties in Hong Kong in the past few years and taking advantage of the completion of renovation of the Tower in 2018, the Group may enjoy a potential appreciation in value of the Properties amongst the residential properties in Hong Kong.

Notwithstanding the aforesaid potential appreciation in value of the Properties, we noted that, according to the HKRVD, the price indices of overall as well as class E private residential properties in Hong Kong has experienced a decreasing trend in the second half of 2018 from 394.8 and 334.8 in July 2018 to 359.2 and 309.2 in December 2018, respectively. The data also indicated that there were less than 20 sales transactions of class E properties in December 2018. Therefore, there are uncertainties on whether the Properties can continue to enjoy appreciation in value as in the past 5 years having considered the most recent high-end residential properties market trend in Hong Kong.

We have further enquired the Directors about their intentions of the business development of Group and understand that they will continue to focus on the Group's resources in managing the Properties by adopting a conservative approach and they have no intention to introduce any major changes to the existing principal businesses of the Group through acquisition or disposal of its properties (including the Tower) as a result of the Offer in view of the Group's cashflow position, which may not be sufficient to allow the Group to further invest in new properties (with the similar scale of the Properties) in Hong Kong.

In view of the above, in particular (i) the decrease in average rents of large-sized private residential properties (i.e. class E properties) on Hong Kong Island; (ii) the decrease in rental yield rate for residential properties over the past few years; (iii) the increase in supply of private residential properties which may make the Group more difficult to increase the low occupancy rate of the Tower after the completion of renovation; (iv) the average rents per square meter of the Comparable Properties is competitive as compared to the average rent per square meter of the Tower; and (iv) the continued increase in the price of overall as well as class E private residential properties in Hong Kong from 2013 to 2018 but such prices have experienced a recent decreasing trend in the second half of 2018, we consider that the market in which the Group is principally operating is, to a certain extent, facing a challenge with decreasing yield rate for residential properties (i.e. class E properties) along with the competitive rental price offered by the residential properties which are in close proximity to the Properties and remain uncertain about the outlook of the Group's business.

Given the above circumstances, in particular, (i) the Group's intention to adopt a conservative approach in managing the Properties and they have no intention to introduce any major changes to the existing principal businesses of the Group through acquisition or disposal of its properties; (ii) the risks associated with the valuation and lease value of residential properties in Hong Kong; and (iii) based on the historical record with no dividend have been declared/paid to the Shareholders since its incorporation, there exists uncertainties on (i) whether the Properties can continue to enjoy appreciation in value as in the past 5 years, (ii) whether the Group will dispose the Properties in the future even if there is price appreciation; and (iii) even though the Directors decide to dispose of the Properties in the future should opportunities arise, whether the Company will declare dividend to the then shareholders.

1.4. Valuation

In accordance with the relevant accounting policies adopted by the Group, the management of the Group advised that the investment properties (the "**Investment Properties**") held by the Group are being recorded at their respective fair value. Notwithstanding the above, given the valuation date of the Property Valuation Reports conducted by BMI Appraisals Limited and Savills Valuation and Professional Services (S) Pte Ltd (the "**Valuers**"), independent third party valuers, set out in Appendix V-A and Appendix V-B to this Offer Document is 31 January 2019 and the latest published consolidated financial statements of the Group are as at 31 December 2018, when assessing the implied P/B ratio under the Offer based on the adjusted net asset value (the "**Adjusted NAV**"), we have also taken into consideration the relevant fair value movement between 1 January 2019 and 31 January 2019. We noted that, according to the Property Valuation Reports, the fair value of the Investment Properties amounted to approximately HK$3,349.8 million in aggregate as at 31 January 2019, which is the same as the net book value of the Investment Properties of approximately HK$3,349.8 million as at 31 December 2018. Accordingly, no adjustment is required to be made to the Group's net asset value as at 31 December 2018.

We have reviewed the Property Valuation Reports and interviewed the Valuers regarding the methodologies adopted for and the bases and assumptions used in arriving at the market value of the Investment Properties as at 31 January 2019 (the "**Valuation**"). In the course of our interview with the Valuers, we noted that the Valuers carried out site visit to the Investment Properties in November and December 2018 to research for the necessary information for determining the Valuation. Based on the Property Valuation Reports and as advised by the Valuers, when conducting the Valuation, the Valuers has adopted comparison approach by making reference to comparable sales evidence as available in the relevant property market. As further confirmed by the Valuers, the comparison approach is commonly adopted for valuation of real estate properties in Hong Kong and Singapore and is also consistent with normal market practice.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuers with the Company; (ii) the Valuers' qualification and experience in relation to the preparation of the Property Valuation Report; and (iii) the steps and due diligence measures taken by the Valuers for conducting the Valuation.

From the engagement letter and other relevant information provided by the Valuers and based on our interview with it, we are satisfied with the terms of engagement of Valuers as well as its qualification and experience for preparation of the Property Valuation Reports.

Further details of the bases and assumptions of the Valuation are included in the Property Valuation Reports as contained in Appendix V-A and Appendix V-B to the Offer Document. During our discussion with the Valuers, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for or the information used in the Valuation.

2. Analysis of the Offer Price

Market comparable analysis

In assessing the fairness and reasonableness of the Offer Price, we have considered using the price-to-earnings ratio (the "**P/E ratio(s)**") and the price-to-book ratios (the "**P/B ratio(s)**") of companies which are listed on the Stock Exchange and are principally engaged in similar businesses to those of the Group for comparison purposes.

For the purpose of our comparable analysis, taking into consideration that the revenue of the Group was solely generated from rental income by leasing of investment properties for the year ended 31 December 2018, of which approximately 94.0% of the Group's investment properties located in Hong Kong as at 31 December 2018, and the availability of financial information of the comparable companies, our selection criteria is listed companies on the Stock Exchange with more than 90% of their revenue generated from the property leasing and investment in Hong Kong as recorded in their respective latest audited financial statements which are companies with principal business activities and revenue contribution closely comparable to that of the Group (the "**Comparable Companies**").

In this regard, 9 Comparable Companies are identified based on our research on the website of the Stock Exchange in accordance with the above criteria which we consider to be exhaustive. We are mindful that the scale of operations, property profile, financial position, market capitalisation and future prospects of the Comparable Companies are not exactly the same as the Company, and in particular all of the Comparable Companies are listed companies in Hong Kong whilst the Company is an unlisted company. Nevertheless, we are of the view that the comparable analysis with the Comparable Companies would provide a more general reference in assessing the fairness and reasonableness of the Offer Price. The following table sets out the P/E ratio and P/B ratio of each of the Comparable Companies and the P/E ratio and P/B ratio of the Company as implied by the Offer Price:

Comparable Companies	**Stock code**	**Principal business**	**Historical P/E ratio (approximately times)** *(Note 1)*	**Historical P/B ratio (approximately times)** *(Note 1)*	**Dividend yield** *(Note 2)*
Tai Sang Land Development Limited	89.HK	Principally engaged in the property investment, property rental, property development, estate management and agency and hotel operation	3.18	0.20	4.04%
Melbourne Enterprises Ltd.	158.HK	Principally engaged in the property investment and investment holding in Hong Kong	2.67	0.63	2.07%
Pioneer Global Group Limited	224.HK	Principally engaged in the property businesses	3.24	0.26	2.63%
Tian Teck Land Limited	266.HK	Principally engaged in the property investment	38.86	0.29	5.08%
Tern Properties Company Limited	277.HK	Principally engaged in the property investment and treasury investment	11.08	0.33	1.36%
Paladin Limited	495.HK	Principally engaged in the property investment and research and development of high technology system and applications	15.87	0.25	Nil
Zhongchang International Holdings Group Limited	859.HK	Principally engaged in the property development and property investment	72.66	0.60	Nil
Wing Lee Property Investments Limited	864.HK	Principally engaged in the business of property investment	13.50	0.24	2.94%

Comparable Companies	Stock code	Principal business	Historical P/E ratio (approximately times) *(Note 1)*	Historical P/B ratio (approximately times) *(Note 1)*	Dividend yield *(Note 2)*
Vanke Property (Overseas) Limited	1036.HK	Principally engaged in the property investment and management, and property development and financing	2.94	0.54	1.76%
		Maximum	72.66	0.63	5.08%
		Minimum	2.67	0.20	Nil
		Average	18.22	0.37	2.84%
The Company		**Principally engaged in the property investment and management, and securities trading**	**1.55** *(Note 3)*	**0.22** *(Note 4)*	**Nil**

Source: the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)

Note 1: Historical P/E ratio and P/B ratio of the Comparable Companies were calculated based on their respective market capitalisation divided by their respective net profit attributable to equity shareholders and net asset value stated in the latest published annual results or interim results (as the case may be), respectively.

Note 2: Dividend yield of the Comparable Companies were calculated based on their respective dividend declared/paid stated in the latest published annual results and/or interim results divided by their respective closing share price as at the Latest Practicable Date.

Note 3: The implied P/E ratio of the Company was calculated based on the Offer Price multiplied by the total number of issued Shares of 1,492,410,986 as at the Latest Practicable Date and then divided by the latest published audited consolidated net profit attributable to equity shareholders of the Company for the year ended 31 December 2018.

Note 4: The implied P/B ratio of the Company was calculated based on the Offer Price multiplied by the total number of issued Shares of 1,492,410,986 as at the Latest Practicable Date and then divided by the latest published audited consolidated net asset value as at 31 December 2018.

As demonstrated by the above table, the historical P/E ratio of the Comparable Companies ranged from approximately 2.67 times to 72.66 times, with an average of approximately 18.22 times. Given that the implied P/E ratio of the Offer Price is approximately 1.55 times, the implied P/E ratio of the Offer Price is not within the range of the Comparable Companies and is lower than all of the Comparable Companies. Despite that the implied P/E ratio of the Offer Price is the lowest among the Comparable Companies, having considered that the majority of the Group's profit for the year ended 31 December 2018 of approximately HK$528.6 million was derived from the net valuation gain on investment properties of the Group of approximately HK$392.7 million as at 31 December 2018, and such substantial gain on investment property is mainly as a result of the Tower having been renovated in early 2018, which is one-off in nature and not likely to be recurring. Accordingly, we are of the view that the net valuation gains on the Group's investment properties and hence the Group's profit for the year ended 31 December 2018 may lead to possible distortion on the result of the implied P/E ratio of the Company. In addition, we have reviewed the profit/loss position of the Comparable Companies for their respective latest past three financial years and noted that four out of nine of the Comparable Companies have fluctuated substantially (i.e. from a loss position in one particular financial year and experienced a turnaround to a profit position in the following year) depending on the fair value movements of the investment properties (which involve fair value gains and losses) as well as other one-off gain on disposal during the relevant period, which demonstrated that the fair value gain or loss of investment properties could fluctuate year by year from loss to gain position or vice versa for investment property companies in Hong Kong and therefore inclusion of such may lead to possible distortions on the results of a P/E ratio analysis.

On this basis, we consider that the financial impact arising from the net valuation gain on investment properties of the Group mentioned above should not be taken into account in calculating the net profit/loss for the year ended 31 December 2018 and hence the adjusted profit/loss (after excluding the net valuation gain on investment properties) is a more accurate profitability measurement of the Group to conduct the P/E ratio analysis. However, as the Company recorded an adjusted net loss for the year ended 31 December 2018, the adjusted P/E ratio is not applicable for comparison and therefore we considered P/B ratio is more appropriate for our comparable analysis.

As for the P/B ratio of the Comparable Companies, we noticed that they ranged from approximately 0.20 times to 0.63 times, with an average of approximately 0.37 times, which mean in general listed companies in Hong Kong which principally engaged in property leasing and investment in Hong Kong are traded on the Stock Exchange at substantial discount to the respective net book value. The implied P/B ratio of the Offer Price of approximately 0.22 times is below the average of the historical P/B ratio of the Comparable Companies and is close to the bottom end amongst the Comparable Companies.

Furthermore, as shown in the table above, we noted that only two out of nine of the Comparable Companies did not declare/pay any dividend in their respective latest financial year while the dividend yield of the remaining seven Comparable Companies ranged from 1.36% to 5.08%, with an average of approximately 2.84%. Since the Company did not declare/pay any dividend in the past, its dividend yield is nil and not within the range of the Comparable Companies.

Given that the investment properties of the Group comprised approximately 79.7% of the total assets as at 31 December 2018 and that (i) the Offer Price represents a discount of approximately 77.6% as compared to the net asset value of the Group as at 31 December 2018; and (ii) the market value of the Properties as at 31 January 2019 of approximately HK$3,240.0 million set out in the Property Valuation Reports represents an increase of approximately 11.3 times as compared to the original acquisition costs of the Properties, which was purchased in 1988, of approximately HK$264.1 million. Accordingly, when the Shareholders accept the Offer, the proportionate effective interest of Shareholders not accepting the Offer including the HFC Subsidiaries, the

Cheong's Family, Barragan and Dekker (whose in aggregate have an indirect interest of 79.28% of the Company as at the Latest Practicable Date) will increase, which may in substance viewing as the Shareholders who accept the Offer to sell their equity interests proportionately to the Shareholders not accepting the Offer at the Offer Price. Based on the factors mentioned above, we consider that the Offer Price is not fair and not reasonable so far as the Independent Shareholders are concerned. However, given that the Company is not a listed company, before making the decision of whether or not to accept the Offer, the Shareholders should take into consideration the results of the above analysis together with all other factors stated in this letter as a whole.

3. Reasons for the Offer

As disclosed in the Letter from the Board, there is no open market for the trading of the Shares and hence the Offer provides an opportunity for the Shareholders to realise all or part of their investments in the Company, if they do not wish to retain an unlisted assets. Shareholders will have the opportunity to immediately receive cash for the Shares that they tender for the Offer with no additional transaction costs. Shareholders not accepting the Offer may retain their holdings and continue to participate directly in the future prospects of the Company.

When we consider the reasonableness of the Offer, we have taken into account the following major factors:

1. There is no open market for the trading of the Shares.

The Company is not a listed company and there is no open market for the trading of the Shares. Shareholders could only solicit with other shareholders (which possibly not known to them) for sale and purchase or solicit directly with the Company for repurchase. Both of which are not an easy exit path to the Independent Shareholders. In general, the value of a listed company should be at a premium to an unlisted company of same financial condition and business condition.

2. Uncertainty in profitability of the Group

As discussed in subsection headed "1.1 Principal businesses and information on the Group" above, the Group recorded net profit due to non-cash fair value gain on investment properties and one-off gain on disposal of subsidiaries, which are non-recurring and unstable. Excluding the fair value gain on investment properties and gain on disposal of subsidiaries, the Group would have recorded net loss of over HK$40 million for the three years ended 31 December 2016, 2017 and 2018 due to the significant amount of administrative expense and finance cost.

Further as discussed in subsection headed "1.1 Principal businesses and information on the Group" above, based on the assumptions that (i) the Renovation and Refurbishment Works have been completed and the average rent per square meter of the Tower was HK$796 throughout the year 2018; (ii) the occupancy rate of each of the Tower and Magazine Heights is 100% throughout the year 2018; (iii) save for the revenue and cost of sales, all other items in the consolidated income statement of the

Group for the year ended 31 December 2018 remain constant, the Directors confirmed that the Group would still have recorded a loss before taxation (excluding the effect of valuation gain or loss in fair value of investment properties) for the year ended 31 December 2018. Given the above, it is unlikely that the Group will generate profit solely from its ordinary and usual course of business going forward.

3. No return to the Shareholders since the incorporation of the Company

As advised by the Directors, we understand that since the incorporation of the Company in March 2007, no dividends have been declared/paid by the Company to its Shareholders. By comparison, seven out of nine of the Comparable Companies have declared/paid dividends in their respective latest financial year with an average dividend yield of approximately 2.84%. As an unlisted company, apart from realisation of their investments, dividend is the only way to generate return. However, even the Group recorded fair value gain on investment properties and gain on disposal of subsidiary in the past, the Company did not declare any dividend in the past. In addition, given the current financial performance and cash outflow of the Group, in particular that it is unlikely that the Group will generate profit solely from its ordinary and usual course of business going forward, the Directors confirmed that they have no intention to declare any dividend for the Company.

4. The Offer Price is at the bottom end amongst the Comparable Companies

The P/B ratio as implied by the Offer Price of 0.22 times falls below the average of the historical P/B ratio of the Comparable Companies and is close to the bottom end amongst the Comparable Companies. Notwithstanding that in general listed companies in Hong Kong which principally engaged in property leasing and investment in Hong Kong are traded on the Stock Exchange at substantial discount to the respective net book value and that the value of a listed company should be at a premium to an unlisted company of same financial condition and business condition, given that the investment properties of the Group comprised approximately 79.7% of the total assets as at 31 December 2018 and that the Offer Price represents a discount of approximately 77.6% as compared to the net asset value of the Group as at 31 December 2018, solely considering the factors above, the Offer Price is not considered to be fair.

5. Retain the holding of the Shares may result in an increase of proportionate equity interests in the Company and may enjoy the future prospects of the Group

All Shares bought-back under the Offer will be cancelled. If a Shareholder feels positive on the future prospects of the Company or can generate return otherwise and considers to retain the holding of Shares, the proportionate equity interests in the Company shall increase accordingly.

Notwithstanding that the Offer Price is considered to be not fair given the implied P/B ratio of the Offer Price of approximately 0.22 times as discussed above, after taking into account the above major factors as a whole, in particular, (i) the limited exit option as an unlisted company; (ii) the uncertainty in the asset appreciation of the

Properties; (iii) the uncertainty in whether there will be any return to the Shareholders if retaining the Shares; (iv) the minority Shareholders do not have bargaining power to direct the Company to undertake any corporate action; and (v) the listed companies principally engaged in property leasing and investment are generally valued at discount to net book value and premium to the valuation for listing status in Hong Kong, the Offer provides an opportunity for the Shareholders to realise their investments in the Company and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses.

4. Whitewash waiver

Pursuant to Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Consequently, depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and given that the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker have irrevocably undertaken to the Company that they will not dispose of, transfer or otherwise deal in any of the Shares and accept the Offer, the interest of the HF (Cayman) in the issued share capital of the Company may increase from approximately 37.20% to a maximum level of approximately 46.92% upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for the HF (Cayman) to make a mandatory general offer for all the Shares not already owned by it and the parties acting in concert with it upon the completion of the Offer.

Accordingly, an application has been made to the Executive by the HF(Cayman) for the Whitewash Waiver.

The Offer will be conditional upon approval of the Independent Shareholders voting by way of poll at the SGM and the Whitewash Waiver being granted by the Executive, which would also be subject to the approval of the Independent Shareholders voting by way of poll at the SGM. If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer will not proceed.

Notwithstanding that the P/B ratio as implied by the Offer Price of approximately 0.22 times falls below the average of the historical P/B ratio of the Comparable Companies and is close to the bottom end amongst the Comparable Companies where we consider the terms of the Offer are not fair and not reasonable so far as the Independent Shareholders are concerned, having considered the reasons for the Offer as discussed in section 3 above, since the Offer provides an opportunity for the Shareholders to realise their investments in the Company by accepting the Offer and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses, and that the approval for the Whitewash Waiver is a condition to the completion of the Offer, we consider that the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is reasonable for the purpose of proceeding the Offer in this regard.

5. Effects on the shareholding interests of the Company

The table below shows the Company's existing shareholding structure and the shareholding structure in the event the Offer has been accepted in full (taking into account that the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker have irrevocably undertaken not to accept the Offer), and assuming that no additional Shares will be issued from the date of the Offer Document up to and including the date of completion of the Offer:

Name of Shareholder	**Existing Shareholding**		**Immediately after completion of the Offer (taking into account that the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker have irrevocably undertaken not to accept the Offer)**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*
HF (Cayman)	555,202,784	37.20	555,202,784	46.92
HF (HK)	47,443,003	3.18	47,443,003	4.01
HF Enterprises	29,079,206	1.95	29,079,206	2.46
Cheong Zee Yee Ling, Helen *(1) (a)*	3,397,000	0.23	3,397,000	0.29
Cheong Hooi Kheng *(1) (b)*	2,000,000	0.13	2,000,000	0.17
Barragan	285,312,566	19.12	285,312,566	24.11
Dekker	260,778,106	17.47	260,778,106	22.04
HF (Cayman) and the Concert Group	1,183,212,665	79.28	1,183,212,665	100.00
Other Shareholders *(3)*	309,198,321	20.72	–	0.00
Total	1,492,410,986	100.00	1,183,212,665	100.00

Notes:

1. (a) is the spouse of Mr Cheong PC and (b) is the sibling of Mr. Cheong PC and Cheong SE. Mr. Cheong PC and and Cheong SE are directors of the Company and each shareholders of the HFC Subsidiaries. (a) and (b) are presumed to be acting in concert with HF (Cayman) in Class (8) unless the contrary is established. Save as disclosed above, each of (a) and (b) has no direct relationship with each member of the Concert Group.

2. Mr. Cheong PC and Mr. Cheong SE did not hold any Shares as at the Latest Practicable Date.

3. There is no shareholding over 10% or more among these other Shareholders.

As the Shares to be bought-back will be cancelled, the total number of Shares in issue will decrease by 309,198,321 Shares if the Offer is accepted in full (taking into account that the HFC Subsidiaries, the Cheong's Family, Barragan and Dekker have irrevocably undertaken not to accept the Offer). As illustrated in the table above, the shareholdings of other Shareholders in the Company will decrease from approximately 20.72% as at the Latest Practicable Date to nil upon completion of the Offer and the Whitewash Waiver.

On the other hand, the percentage of Shares held by HF (Cayman) and parties acting in concert with it will increase from approximately 79.28% as at the Latest Practicable Date to 100% upon completion of the Offer and the Whitewash Waiver. Likewise, the percentage of Shares held by the other Shareholders who retain their interests in the Company will increase.

6. Financial impact of the Offer

The unaudited pro forma consolidated financial information of the Group upon completion of the Offer setting out the financial impact of the Offer on the net assets per Share, basic earnings per Share, working capital and liabilities of the Group are contained in Appendix III to the Offer Document.

Based on the unaudited pro forma consolidated statement of financial position of the Group as set out in Appendix III of the Offer Document and assuming that the Offer had been completed on 31 December 2018 and the Target Acceptance had been bought back, as a result of the completion,

(i) the net asset value per Share as at 31 December 2018 would increase by approximately 20.3% from approximately HK$2.46 per Share to approximately HK$2.96 per Share;

(ii) the basic earnings per Share for the year ended 31 December 2018 would increase by approximately 24.8% from approximately 35.42 HK cents to approximately 44.22 HK cents;

(iii) the working capital (expressed as net current assets) as at 31 December 2018 would decrease by approximately 12.5% from approximately HK$55,985,000 to approximately HK$48,985,000; and

(iv) the liabilities (including the current and non-current liabilities) as at 31 December 2018 would increase by approximately 32.4% from approximately HK$524,520,000 to approximately HK$694,579,000.

Although (i) the working capital would have decreased by approximately 12.5%; and (ii) the liabilities of the Group would have increased by approximately 32.4%, the expected enhancement in the net asset value per Share and basic earnings per Share upon completion of the Offer as stated above would continue to accrue to the Shareholders in respect of their remaining shareholding in the Company after the Offer. All Qualifying Shareholders have equal opportunity to accept their Assured Entitlements. The Shareholders who do not tender their Shares for acceptance under the Offer would enjoy an increase in their proportionate interests in shareholding, net asset value per Share and basic earnings per Share. In addition, as disclosed in the Letter from the Board, notwithstanding that the liabilities of the Group would have increased upon the completion of the Offer, the Company expects to repay such increased liabilities by internal resources and the Facility as they fall due in the future. Therefore, we consider that there is no material adverse effect on the financial impact of the Offer to the Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons for the Offer discussed above, and in particular that the P/B ratio as implied by the Offer Price of approximately 0.22 times falls below the average of the historical P/B ratio of the Comparable Companies and is close to the bottom end amongst the Comparable Companies, we consider that the terms of the Offer are not fair and not reasonable so far as the Independent Shareholders are concerned in this regard.

Notwithstanding the above, after taken into consideration the following factors:

(i) there is no open market for the trading of the Shares in which the Shareholders could only solicit with other shareholders (which possibly not known to them) for sale and purchase or solicit directly with the Company for repurchase. Both of which are not an easy exit path to the Independent Shareholders;

(ii) the uncertainties in profitability of the Group, in particular, it is questionable as to whether the aggregate rental income from the Tower and Magazine Heights (assuming each of the occupancy rate is 100%) are sufficient to cover the Group's stable operating expenses and finance costs in the future as illustrated in the paragraph headed "Historical financial information" above;

(iii) it is uncertain whether the Company will make or declare or pay any dividends or generate any economic return to its Shareholders based on the historical record with no dividend have been declared/paid to the Shareholders since its incorporation in 2007 and the current view of the Directors in respect of the ability of the Group to declare any dividend, and the minority Shareholders do not have bargaining power to direct the Company to undertake any corporate actions. Hence the Offer provides an opportunity for the Shareholders to realise their investments in the Company if they wish to accept the Offer and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses;

(iv) the uncertainties in the asset appreciation of the Properties as well as the outlook of the Group's business taking into account the recent property market in Hong Kong as well as the conservative approach adopted by the Group as discussed in the paragraph headed "Prospect and outlook of the Group" above; and

(v) the listed companies principally engaged in property leasing and investment are generally valued at discount to net book value and premium to the valuation for listing status in Hong Kong, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Offer and the Whitewash Waiver at the SGM and to accept the Offer to realise their investment in the Company as there is no certainty that Independent Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses.

If any Independent Shareholders are able to identify other potential purchasers to purchase their Shares at a price higher than the Offer Price, such Independent Shareholders should consider voting against the resolutions regarding the Offer and the Whitewash Waiver at the SGM and/or not accepting the Offer and should consider selling all their Shares to such purchasers if they are able to do so.

Those Independent Shareholders who are optimistic on the future prospects of the Company may, having regard to their own circumstances, consider retaining all or any part of their Shares under the Offer. In that case, subject to the level of acceptance of the Offer, their proportionate equity interests in the Company shall increase accordingly as all Shares bought-back under the Offer will be cancelled.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 13 years of experience in the investment banking and auditing.

TUS will make the Offer to the Shareholders on behalf of the Company to buy-back Shares, on the terms and subject to the conditions set out in this Offer Document. The principal terms and conditions of the Offer are set out below.

TERMS AND CONDITIONS OF THE OFFER

1. The Offer

The Company will buy-back all the issued Shares in the Company at the Offer Price.

2. Conditions

The Offer will be conditional upon fulfillment of all of the following conditions:

(a) the approval of at least 75% of the votes of the Independent Shareholders by way of poll and not more than 10% of the number of votes cast against the resolution approving the Offer at the SGM;

(b) the approval of at least 75% of the votes of the Independent Shareholders by way of poll at the SGM approving the Whitewash Waiver; and

(c) the Whitewash Waiver having been granted by the Executive and such waiver not being revoked.

The Offer is not conditional upon any minimum level of acceptance. The HFC Subsidiaries, the Cheong's Family, Barragan and Dekker (and any other person who may be required to abstain from voting in accordance with the Takeovers Code and the Share Buy-backs Code) will abstain from voting at the SGM on the resolution to approve the Offer and the Whitewash Waiver.

The Offer and the grant of the Whitewash Waiver will be subject to the approval of the Independent Shareholders at the SGM. **If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer will immediately lapse.**

3. Acceptance

(a) Qualifying Shareholder may accept the Offer for the buy-back by the Company of any number of his/her Shares at the Offer Price up to his/her entire holding as at the Latest Acceptance Time by submitting to the Administrator a duly completed Acceptance Form, accompanied by the Title Documents. Each Share may only be accepted for buy-back by the Company once.

(b) The Offer Price will be paid in cash.

(c) Acceptance Forms which have been duly completed and received by or on behalf of the Company will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code.

(d) All of the Shares bought back by the Company will be free of commission, dealing charges and stamp duty.

(e) All bought back Shares will be cancelled in accordance with the bye-laws of the Company and will not rank for any dividends after the cancellation.

(f) Subject to the Offer becoming unconditional, the submission of an Acceptance Form by an Accepting Shareholder in the manner described in 4(a) above will be deemed to constitute a warranty from such Accepting Shareholder to TUS and the Company that all Shares sold by such Shareholder under the Offer are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto on or after the date of the Shares are cancelled (including the right to all dividends (if any) declared after the date of the Shares are cancelled.

4. Acceptance Period

(a) The Offer is open for acceptance from the date of this Offer Document. If the Conditions are satisfied, the Offer will be open for acceptance for a further 14 days after the Offer has become unconditional. In order to be valid, an Acceptance Form must be duly completed, together with the Title Documents in respect of such number of Shares which represent not less than the number of Shares in respect of which the relevant Shareholders intend to accept under the Offer, delivered to and received by the Administrator at or before the Latest Acceptance Time, which is currently expected to be 4:00 p.m. on Friday, 14 June 2019, or such later date as the Company may, with the prior consent of the Executive, decide and announce.

(b) The date when the last one of the Conditions is expected to be satisfied is Friday, 31 May 2019, being the date of the SGM. Such date may be postponed by the Company, subject to receiving the prior consent of the Executive.

5. Irrevocable acceptances

Acceptance Forms which have been duly completed and received by the Administrator will constitute irrevocable acceptances of the Offer after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code.

6. Qualifying Shareholders

The Offer is available to all the Qualifying Shareholders whose names appear on the Register of Members as at the Latest Acceptance Time.

7. General

(a) The Shares will be bought back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature.

(b) The Qualifying Shareholders may accept the Offer by completing the Acceptance Form in accordance with the instructions set out in the Acceptance Form (which constitute part of the terms of the Offer). An Acceptance Form may be rejected as invalid if the procedures contained in this Offer Document and in the Acceptance Form are not complied with.

(c) The Offer and all acceptances of it, the Acceptance Forms and all contracts made pursuant to the Offer, and all action taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of an Acceptance Form will constitute submission to the exclusive jurisdiction of the Hong Kong courts.

(d) The failure of any person to receive an Offer Document or an Acceptance Form will not invalidate any aspect of the Offer. Extra prints of these documents will be available to any Shareholders at the office of the Administrator during office hours between the date of despatch of the Offer Document and the Latest Acceptance Time.

(e) The Company reserves the right, subject to the Codes, any applicable law or regulatory requirements, to increase the Offer Price. In the event of such amendment, a supplemental document and a new Acceptance Form will be despatched to each of the Shareholders. Any revised offer will be kept open for at least 14 days following the date on which the revised Offer Document is posted. If in the course of the Offer, the Company revises the terms of the Offer, all Shareholders, whether they have accepted the Offer or not, will be entitled to the revised terms.

(f) The right of acceptance of the Offer is personal to the Shareholder and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Shareholders.

(g) The Company reserves the absolute right to reject any or all acceptances it determines not to be in proper form if it fails to comply with Note 1 to Rule 30.2 of the Takeovers Code or the acceptance or payment for which may, in the opinion of the Company, be unlawful.

(h) Due execution of the Acceptance Form will constitute an irrevocable authority to the Company, the Director and/or TUS or their respective agents to complete and execute any document on behalf of the person accepting the Offer, the Acceptance Form and any other document and to do any other act that may be necessary or expedient for the purposes of vesting in the Company, or such persons as the Company shall direct, the Shares which are the subject of such acceptance.

(i) All communications, notices, Acceptance Forms, Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to or from them, or their designated agents, at their risk and none of the Company, TUS, the Independent Financial Advisor, the Administrator or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

(j) Should any Shareholder require any assistance in completing the Acceptance Form or have any enquiries regarding the procedures for tendering and settlement or any other similar aspect of the Offer, the Shareholders may contact the Administrator at its hotline at (852) 2862 8646 during the period from Friday, 26 April 2019 to the closing day of the Offer (both days inclusive) between 9:00 a.m. and 6:00 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays). No advice on the terms or acceptance of the Offer will be given by the Administrator.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

1. General Procedures for Acceptance

(a) In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Acceptance Form in accordance with the instructions printed in this Offer Document and the instructions printed on the Acceptance Form. The instructions in this Offer Document should be read together with the instructions on the Acceptance Form (which instructions form part of the terms of the Offer).

(b) In order to be valid, the completed Acceptance Form in compliance with Note 1 to Rule 30.2 of the Takeovers Code should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Shareholder wishes to accept the Offer, by post or by hand to the Administrator, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in an envelope marked "Hong Fok Land International Limited – Offer" as soon as possible after receipt of the Acceptance Form but in any event so as to reach the Administrator by no later than 4:00 p.m. (Hong Kong time) on Friday, 14 June 2019, or such later time and/or date as the Company may, subject to the Takeovers Code, decide and announce.

(c) No Acceptance Form received after the Latest Acceptance Time will be accepted.

(d) If the Acceptance Form is executed by a person other than the registered holder, appropriate evidence of authority (for instance, a grant of probate or certified copy of a power of attorney) must be delivered to the Administrator with the completed Acceptance Form.

(e) No acknowledgement of receipt of any Acceptance Form or Title Documents will be given.

(f) The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this Appendix I could have been properly given by the relevant Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.

(g) Only one Acceptance Form may be submitted by each Qualifying Shareholder to the Administrator.

2. Nominee Holdings

(a) If the Title Documents in respect of a Shareholder's Shares are in the name of a nominee company or some name other than his/her own, and such Shareholder wishes to accept the Offer (either in full or in respect of part of his holding(s) of Shares), he/she must either:

(i) instruct the nominee company, or other nominee to accept the Offer on his/her behalf and requesting it to deliver the Acceptance Form duly completed together with the Title Documents to the Administrator, within such deadline (which may be earlier than the deadline specified under the Offer) as may be stipulated by the nominee; or

(ii) arrange for the Shares to be registered in his/her name by the Company through the Administrator, and send the Acceptance Form duly completed together with the Title Documents to the Administrator

(b) Shareholders with such a nominee holding of Shares should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Latest Acceptance Time.

3. Recent Transfers

If a Shareholder has lodged transfer(s) of Shares for registration in his/her name and has not yet received the Share certificate(s) and wishes to accept the Offer, he/she should nevertheless complete the Acceptance Form and deliver it to the Administrator together with the transfer receipt(s) duly signed by him/her at or before the Latest Acceptance Time. Such action will be deemed to be an authority to the Company or its agent(s) to collect from the Company or the Administrator on his/her behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Offer, as if it/they was/were delivered to the Administrator with the Acceptance Form.

4. Lost or Unavailable Share Certificates

(a) If the Title Document(s) is/are not readily available and/or is/are lost and a Shareholder wishes to accept the Offer, the Acceptance Form should nevertheless be completed and delivered to the Administrator so as to reach the Administrator not later than the Latest Acceptance Time and the Title Documents should be forwarded to the Administrator as soon as possible thereafter and in any event before the Latest Acceptance Time.

(b) If a Shareholder has lost his/her Title Documents, he/she should write to the Administrator and request a letter of indemnity in respect of the lost Title Documents (as the case may be) which, when completed by him/her in accordance with the instructions given, should be returned, together with the Acceptance Form and any Title Documents which are available, so as to arrive at the Administrator either by post or by hand not later than the Latest Acceptance Time. In such cases, the Shareholder will be informed of the fees payable to the Administrator for which he/she will be responsible.

(c) Acceptances of the Offer may, at the discretion of the Company, be treated as valid even if not accompanied by the Title Documents but, in such cases, the cash consideration due will not be despatched until the relevant Title Documents has/have been received by the Administrator or in the case of lost of Title Documents, such Title Documents has been cancelled and the Register of Member has been updated.

5. Additional Acceptance Forms

If a Shareholder has lost the accompanying Acceptance Form or such original has become unusable, and requires a replacement of such form, he/she should write to the Administrator or visit the Administrator at its office and request additional Acceptance Form for completion by such Shareholder.

6. Settlement

(a) Subject to the Offer becoming unconditional and provided that a duly completed Acceptance Form, accompanied by the relevant Title Documents are received by the Administrator by not later than the Latest Acceptance Time and are deemed to be in order, the Administrator will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer within seven Business Days following the later of (i) the Offer becoming or being declared unconditional and (ii) the Date of Receipt.

(b) If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. Where such Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Shareholder will be sent (by ordinary post, at that Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

7. New Shareholders

Any new Shareholder may collect a copy of this Offer Document, together with the form of proxy and a blank Acceptance Form from the Administrator, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong during business hours from Friday, 26 April 2019 to the closing day of the Offer, both days inclusive. Such Shareholder may also contact the Administrator (through the enquiry general telephone line referred to in paragraph 9(i) under the section headed "Terms and Conditions of the Offer" above) and request a copy of this Offer Document, the accompanying form of proxy and a blank Acceptance Form (as appropriate) to be sent to his/her registered address as recorded in the Register of Member.

EFFECT OF ACCEPTANCE OF THE OFFER BY SHAREHOLDERS

Each Qualifying Shareholder by whom, or on whose behalf, an Acceptance Form is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and TUS (so as to bind him/her, his/her personal representatives, heirs, successors and assigns) to the effect:

1. Acceptance

Acceptance Forms which have been duly completed and received by or on behalf of the Company will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional, unless in accordance with Rule 19.2 of the Takeovers Code.

2. Representations and warranties

By delivery to the Administrator a duly completed Acceptance Form accompanied with the Title Documents, the Accepting Shareholder represents and warrants to the Company and TUS:

(a) that he/she has full power and authority to tender, sell, assign and transfer all the Shares (together with all rights attaching thereto) specified in such Acceptance Form for buy-back and that the Shares are fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto (including the right to all dividends (if any) declared after the date on which the Offer is made; and

(b) that if he/she is an Overseas Shareholder, he/she has fully observed any applicable legal or other requirements and that the Offer may be accepted by him/her lawfully under the laws of the relevant jurisdiction.

3. Appointment and authority

That the execution of the Acceptance Form constitutes:

(a) the irrevocable appointment of any director or officer of the Company, the Administrator or TUS, or such other person as any of them may direct, as such Shareholder's agent ("**Agent**"); and

(b) an irrevocable instruction to the Agent to complete and execute the Acceptance Form and/or any other document at the Agent's discretion on behalf of the person accepting the Offer and to do any other acts or things as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Company repurchasing some or all of the Shares (as the Company may in its absolute discretion determine) in respect of which such person has accepted (or is deemed to have accepted) the Offer.

4. Undertakings

That by executing the Acceptance Form, he/she:

(a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Company or any Agent in the proper exercise of its or his/her powers and/or authorities under the terms of the Offer;

(b) undertakes to deliver to the Administrator the Title Documents in respect of the Shares for which the Offer is (or is deemed to be) accepted, or an indemnity or indemnities acceptable to the Company in lieu thereof, or to procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, no later than the Latest Acceptance Time;

(c) accepts that the provisions of the Acceptance Form and the other terms and conditions in this Offer Document are deemed to be incorporated into the terms and conditions of the Offer;

(d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with his/her acceptance of the Offer as the Company may consider to be necessary, expedient or desirable, including without limitation, to complete the buy-back of any Shares in respect of which he/she has accepted or is deemed to have accepted the Offer free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto (including the right to all dividends (if any) declared after the date on which the offer is made, and/or to perfect any of the authorities expressed to be given hereunder;

(e) authorizes the Company or the Agent to procure the despatch by post of the consideration to which he/she is entitled at his/her risk to the first-named holder at his/her registered address; and

(f) submits to the exclusive jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Offer or the Acceptance Form.

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasized that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, TUS, the Independent Financial Adviser, the Administrator or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of acceptance of the Offer by the Qualifying Shareholders.

ANNOUNCEMENTS

1. Following the SGM at which the Offer and the Whitewash Waiver are to be approved by the Independent Shareholders, the Company will announce through the SFC's website the result of the meeting and whether or not the Offer has become unconditional.

2. On the date of the close of the Offer, the Company will publish an announcement setting out the result of the Offer on the SFC's website, including the details of the way in which Accepting Shareholders' pro-rata entitlement was determined.

3. In calculating the number of the Shares represented by Acceptance Forms, acceptances which are not in all respects in order or are subject to verification will be stated separately.

INTERPRETATION

1. A reference in this Offer Document to a Shareholder includes a reference to a person who, by reason of an acquisition or transfer of Shares, is entitled to execute an Acceptance Form and in the event of more than one person executing an Acceptance Form, the provisions of this Offer Document apply to them jointly and severally.

2. A reference in this Offer Document and the Acceptance Form to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the selected financial information of the Group for each of the three years ended 31 December 2018 as extracted from the audited financial statements as set out in the annual reports of the Company.

	For the year ended 31 December		
	2018	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	29,254	18,849	18,553
Net valuation gain on investment properties	582,359	189,669	40,093
Gain on disposal of subsidiaries	–	23,720	–
Profit/(loss) before taxation	526,287	164,469	(13,497)
Income tax credit	2,277	2,635	4,459
Profit/(loss) for the year attributable to equity shareholders of the Company	528,564	167,104	(9,038)
Total comprehensive income/ (loss) for the year attributable to equity shareholders of the Company	332,725	466,730	(48,338)
Dividend per Share (HK cents)	–	–	–

Set out below are the basic earnings/(loss) per Share for each of the three years ended 31 December 2018, which are calculated based on the audited consolidated profit/(loss) attributable to owners of the Company for the year ended 31 December 2018, 31 December 2017 and 31 December 2016 of approximately HK$528,564,000, HK$167,104,000 and (HK$9,038,000), respectively, and the weighted average number of 1,492,410,986 Shares in issue during the each of the three years ended 31 December 2018.

	For the year ended 31 December		
	2018	**2017**	**2016**
	HK cents	*HK cents*	*HK cents*
Earnings/(loss) per Share			
– Basic	35.42	11.20	(0.61)

There were no exceptional items because of size, nature or incidence recorded in the consolidated financial statements of the Group for each of the three years ended 31 December 2018. The auditor of the Company, Crowe (HK) CPA Limited (formerly known as Crowe Horwath (HK) CPA Limited), did not issue any modified/qualified opinion nor emphasis of matter paragraph in the auditor's reports on the consolidated financial statements of the Group for any of the three years ended 31 December 2018.

2. FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

Set out below is the full text of the audited financial statements of the Group for the year ended 31 December 2018 extracted from the annual report of the Company for the year ended 31 December 2018.

Consolidated Statement of Profit or Loss
For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	**2018** *HK$'000*	**2017** *HK$'000* *(Note)*
Revenue	4	29,254	18,849
Cost of sales		(9,595)	(6,274)
Gross profit		19,659	12,575
Net valuation gain on investment properties	6(c), 9	582,359	189,669
Other revenue	5	13,135	12,284
Other net income	5	488	46
Gain on disposal of subsidiaries	21	–	23,720
Operating and administrative expenses		(51,899)	(52,109)
Profit from operations		563,742	186,185
Finance costs	6(a)	(37,455)	(21,716)
Profit before taxation	6	526,287	164,469
Income tax credit	7(a)	2,277	2,635
Profit for the year attributable to equity shareholders of the Company		528,564	167,104

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	2018	2017
	HK$'000	*HK$'000*
		(Note (i))
Profit for the year	528,564	167,104
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
– Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	(194,290)	–
Items that may be reclassified subsequently to profit or loss:		
– Exchange difference on translation of financial statements of overseas subsidiaries, net of nil tax	(1,609)	6,586
– Debt investments at FVOCI- net movement in fair value reserve (recycling)	60	–
– Available-for-sale securities: net movement in the fair value reserve (recycling) (Note (ii))	–	293,040
Other comprehensive (loss)/income for the year	(195,839)	299,626
Total comprehensive income for the year attributable to equity shareholders of the Company	332,725	466,730

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

(ii) The amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018, the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 2(c).

Consolidated Statement of Financial Position
As at 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 HK$'000	2017 HK$'000 (Note)
Non-current assets			
Investment properties	9	3,349,797	2,774,485
Other property, plant and equipment	9	6,696	3,401
		3,356,493	2,777,886
Long term investments	11	698,689	892,919
Pledged bank deposits	14(a)	35,652	26,252
Deferred tax assets	19(a)	6,195	3,767
Rental and utility deposits		1,745	106
		4,098,774	3,700,930
Current assets			
Trade and other receivables	12	2,734	2,952
Trading securities	13	204	537
Held-to-maturity investments		–	7,833
Tax recoverable		1,235	774
Cash and cash equivalents	14(a)	90,392	145,618
		94,565	157,714
Non-current assets held for sale	9	9,873	–
		104,438	157,714
Current liabilities			
Trade and other payables	15	(33,044)	(30,980)
Bank borrowings	16	(15,272)	(27,341)
Tax payable		(137)	(140)
		(48,453)	(58,461)
Net current assets		55,985	99,253

	Note	2018 *HK$'000*	2017 *HK$'000* *(Note)*
Total assets less current liabilities		4,154,759	3,800,183
Non-current liabilities			
Bank borrowings	*16*	(100,000)	(100,000)
Bonds	*17*	(373,727)	(428,285)
Deferred tax liabilities	*19(a)*	(2,340)	(2,276)
		(476,067)	(530,561)
NET ASSETS		3,678,692	3,269,622
Capital and reserves	*20*		
Share capital		74,620	74,620
Reserves		3,604,072	3,195,002
TOTAL EQUITY		3,678,692	3,269,622

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						
	Share capital	Contributed surplus	Exchange reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2017	74,620	759,640	(8,692)	54,611	–	1,922,617	2,802,796
Changes in equity for 2017:							
Profit for the year	–	–	–	–	–	167,104	167,104
Other comprehensive income	–	–	6,586	293,040	–	–	299,626
Total comprehensive income for the year	–	–	6,586	293,040	–	167,104	466,730
Issuance of bonds	–	96	–	–	–	–	96
Balance at 31 December 2017 *(Note)*	74,620	759,736	(2,106)	347,651	–	2,089,721	3,269,622
Impact on initial application of HKFRS 9	–	–	–	(347,631)	347,631	–	–
Adjusted balance at 1 January 2018	74,620	759,736	(2,106)	20	347,631	2,089,721	3,269,622
Changes in equity for 2018:							
Profit for the year	–	–	–	–	–	528,564	528,564
Other comprehensive loss	–	–	(1,609)	60	(194,290)	–	(195,839)
Total comprehensive income for the year	–	–	(1,609)	60	(194,290)	528,564	332,725
Modification of bonds	–	76,345	–	–	–	–	76,345
Balance at 31 December 2018	74,620	836,081	(3,715)	80	153,341	2,618,285	3,678,692

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

Consolidated Statement of Cash Flows
For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 HK$'000	2017 HK$'000 (Note)
Operating activities			
Cash used in operations	14(b)	(28,878)	(31,512)
Purchase of tax reserve certificates		(461)	–
Tax paid:			
Singapore Income Tax paid		(87)	(64)
Net cash used in operating activities		(29,426)	(31,576)
Investing activities			
Net cash outflows arising from disposal of subsidiaries	21	–	(100)
Payment for purchase of fixed assets		(4,738)	(1,715)
Net proceeds from disposal of investment properties		9,453	–
Payment for purchase of investment properties		(13,762)	(69,734)
Payment for purchase of investment properties through acquisition of a subsidiary		–	(12,646)
Proceeds from redemption of held-to-maturity investments		7,818	–
Payment for purchase of held-to-maturity investments		–	(7,921)
Dividend received from long term investments		10,391	10,014
Interest received		1,761	855
Net cash generated from/(used in) investing activities		10,923	(81,247)
Financing activities			
Proceeds from issuance of bonds		–	11,000
Proceeds from new bank loans		300,000	–
Repayment of bank loans		(311,725)	(3,085)
Interest paid		(15,598)	(14,291)
Increase in pledged bank deposits		(9,400)	(7,711)
Net cash used in financing activities		(36,723)	(14,087)
Net decrease in cash and cash equivalents		(55,226)	(126,910)
Cash and cash equivalents at 1 January		145,618	272,528
Cash and cash equivalents at 31 December	14(a)	90,392	145,618

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

Notes to the Financial Statements
For the year ended 31 December 2018
(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

Hong Fok Land International Limited (the "Company") is a company incorporated and domiciled in Bermuda and has its registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company and its subsidiaries (hereinafter collectively referred to as the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting years reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair values as explained in the accounting policies set out below:

– investment properties (see note 2(f)); and

– investments in debt and equity securities (see note 2(e)).

The accounting policies for non-current assets and disposal groups held for sale are set out in note 2(u) below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, Financial instruments

(ii) HKFRS 15, Revenue from contracts with customers

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on reserves at 1 January 2018.

	HK$'000
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at FVOCI and net decrease in fair value reserve (recycling) at 1 January 2018	(347,631)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018	347,631

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-tomaturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**HKFRS 9 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets carried at amortised cost			
Cash and cash equivalents	145,618	–	145,618
Trade and other receivables	2,952	–	2,952
Note receivable	–	7,833	7,833
Held-to-maturity investments	7,833	(7,833)	–
Pledged bank deposits	26,252	–	26,252
Rental deposits	106	–	106
	182,761	–	182,761
Financial assets measured at FVOCI (non-recycling)			
Equity securities *(note (i))*	–	892,619	892,619
Financial assets measured at FVOCI (recycling)			
Debt securities	–	300	300
Financial assets carried at FVPL			
Trading securities *(note (ii))*	537	–	537
Financial assets classified as available-for-sale under HKAS 39 *(note (i))*	892,919	(892,919)	–

Notes:

(i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in Hong Fok Corporation Limited at FVOCI, as the investment is held for long term investment purposes (see note 11).

(ii) Trading securities were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 2(e), (i)(i), (j) and (m).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see note 2(i)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, note receivable, rental deposits and pledged bank deposit);

– lease receivables; and

– financial guarantee contracts issued (see note 2(i)(ii)).

The adoption of the new ECL model has no significant impact to the consolidated financial statements of the Group.

For further details on the Group's accounting policy for accounting for credit losses, see notes 2(i)(i) and (ii).

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period. In addition, there are no significant difference in the carrying amounts of financial assets resulting from the adoption of HKFRS 9.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

  – if, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group performed an assessment of the new standard and concluded that current treatment of revenue from contracts with customers is consistent with the new principles. The adoption of HKFRS 15 does not have any material impact on the financial position and there is no transitional impact to retained profits and reserves.

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions, cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interest either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(k) and 2(l) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(iii)).

e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in debt and equity securities are recognised / derecognised on the date the Group commits to purchase / sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 22(b). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(q)(iii)).

- fair value through other comprehensive income ("FVOCI") - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- fair value at profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(q)(ii).

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 2(i)(i) – policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 2(q)(ii) and 2(q)(iii), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 2(i)(i) - policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(q)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it was held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

g) Other property, plant and equipment

Other property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)).

The cost of self-constructed items of other property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(s)).

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

– Motor vehicles	10 years
– Furniture, equipment and other fixed assets	5 years

Where parts of an item of other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(f)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(f)).

i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, note receivable, rental deposits and pledged bank deposits); and

– lease receivables.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(q)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(i)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– Other property, plant and equipment; and

– Investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

l) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(i)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 2(i)(i).

n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of these benefits and when it recognises restructuring costs involving the payment of termination benefits.

o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised directly in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

p) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

q) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

ii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iii) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(i)(i)).

r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recogrises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relate to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

t) Related parties

a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group 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 Group or an entity related to the Group.

(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 the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

u) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2 above, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Current taxation and deferred taxation

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The management evaluates tax implication of transactions and tax provision is provided for accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Key sources of estimation uncertainty

Notes 9 and 22 contain information about the assumptions and their risk factors relating to valuation of investment properties and financial instruments. Other key sources of estimation uncertainty are as follows:

a) Depreciation

Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual values. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods are adjusted if there are significant changes from previous estimates.

b) Allowance for impairment of doubtful debts

The Group recognised lifetime ECL on trade and other receivables on individual basis. The estimation on ECL is required in assessing probability-weighted estimate of the credit loss within the relevant time band which is based on Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of each reporting period. If there is a significant increase in credit risk on the customers or debtors of the Group since initial recognition, additional ECL may be required.

There were no impairment on trade and other receivables as at 1 January 2018 and 31 December 2018 as the management of the Group considers the ECL for trade and other receivables are insignificant.

4. REVENUE

The principal activities of the Group are property investment and management, and securities trading.

Revenue represents the gross rental income from investment properties during the year.

	2018	**2017**
	HK$'000	*HK$'000*
Gross rentals from investment properties in Hong Kong	27,423	16,827
Gross rentals from investment properties in Singapore	1,831	2,022
	29,254	18,849

5. OTHER REVENUE AND OTHER NET INCOME

	2018	**2017**
	HK$'000	*HK$'000*
Other revenue		
Dividend income from long term investments	10,391	10,014
Dividend income from trading securities	10	12
Bank interest income	1,538	852
Other interest income	10	80
Others	1,186	1,326
	13,135	12,284
Other net income		
Unrealised fair value (loss)/gain on trading securities	(23)	77
Realised fair value gain on trading securities	35	–
Gain on disposal of investment properties	443	–
Loss on disposal of other property, plant and equipment	(2)	(4)
Net foreign exchange gain/(loss)	35	(27)
	488	46

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2018	2017
	HK$'000	*HK$'000*
Total interest expense on financial liabilities not at fair value through profit or loss:		
– Imputed interest on bonds	33,805	18,855
– Interest on bank borrowings	3,650	2,861
	37,455	21,716

(b) Staff costs (including directors' remuneration)

	2018	2017
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plan *(note 18)*	449	495
Salaries, wages and other benefits	30,023	31,295
	30,472	31,790

(c) Net valuation gain on investment properties

	2018	2017
	HK$'000	*HK$'000*
Net valuation gain on investment properties	582,359	189,669

(d) Other items

	2018	2017
	HK$'000	*HK$'000*
Depreciation of other property, plant and equipment	1,436	755
Write-off of renovation costs of investment properties	–	1,185
Auditors' remuneration		
– audit service	563	582
Operating lease charges:		
minimum lease payments	6,046	5,685
Rentals receivable from investment properties less direct outgoings of HK$9,595,000 (2017: HK$6,274,000)	(19,659)	(12,575)

7. INCOME TAX

a) Taxation in the consolidated statement of profit or loss represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Singapore Income Tax	87	112
Over-provision in prior years		
Singapore Income Tax	–	(2)
Deferred tax		
Origination and reversal of temporary differences *(note 19(a))*	(2,364)	(2,745)
Income tax credit	(2,277)	(2,635)

No provision for Hong Kong Profits Tax is provided for as the Group did not have estimated assessable profits arising in Hong Kong for the years ended 31 December 2018 and 2017.

The provision for Singapore Income Tax is calculated at 17% of the estimated assessable profits arising in Singapore during the years ended 31 December 2018 and 2017.

b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation	526,287	164,469
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	86,883	27,159
Tax effect of non-deductible expenses	6,609	4,051
Tax effect of non-taxable income	(98,366)	(37,040)
Tax effect of temporary differences not recognised	23	5
Tax effect of unused tax losses not recognised	2,558	3,157
Over-provision in prior years	–	(2)
Others	16	35
Actual tax credit	(2,277)	(2,635)

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Directors' fees	310	340
Salaries, allowances and benefits in kind	9,140	11,029
Retirement scheme contributions	36	36
	9,486	11,405

9. INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND NON-CURRENT ASSETS HELD FOR SALE

		Other property, plant and equipment			
	Investment properties	**Motor Vehicles**	**Furniture, equipment, and other fixed assets**	**Sub-total**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:					
At 1 January 2017	2,494,663	2,306	9,338	11,644	2,506,307
Additions	69,734	1,309	406	1,715	71,449
Additions through acquisition of a subsidiary *	12,646	–	–	–	12,646
Disposals	–	–	(130)	(130)	(130)
Write-off of renovation costs	(1,185)	–	–	–	(1,185)
Fair value adjustment	189,669	–	–	–	189,669
Exchange adjustment	8,958	–	20	20	8,978
At 31 December 2017	2,774,485	3,615	9,634	13,249	2,787,734
Representing:					
Cost	–	3,615	9,634	13,249	13,249
Valuation – 2017	2,774,485	–	–	–	2,774,485
	2,774,485	3,615	9,634	13,249	2,787,734
At 1 January 2018	2,774,485	3,615	9,634	13,249	2,787,734
Additions	13,762	–	4,738	4,738	18,500
Disposals	(9,006)	–	(178)	(178)	(9,184)
Classified as non-current assets held for sale *(note e)*	(9,873)	–	–	–	(9,873)
Fair value adjustment	582,359	–	–	–	582,359
Exchange adjustment	(1,930)	–	(4)	(4)	(1,934)
At 31 December 2018	3,349,797	3,615	14,190	17,805	3,367,602
Representing:					
Cost	–	3,615	14,190	17,805	17,805
Valuation – 2018	3,349,797	–	–	–	3,349,797
	3,349,797	3,615	14,190	17,805	3,367,602

* On 16 May 2017, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interests in King Dynasty Limited ("King Dynasty") at a cash consideration of approximately HK$12,655,000 (the "Acquisition"). The principal activity of King Dynasty is property investment and its major assets are investment properties situated in Hong Kong. The Group opined that the Acquisition shall be accounted for as asset acquisition because the assets acquired through the Acquisition did not constitute a business at the completion of the Acquisition.

	Investment properties HK$'000	Other property, plant and equipment: Motor Vehicles HK$'000	Furniture, equipment, and other fixed assets HK$'000	Sub-total HK$'000	Total HK$'000
Accumulated depreciation and impairment losses:					
At 1 January 2017	–	816	8,391	9,207	9,207
Charge for the year	–	367	388	755	755
Written back on disposals	–	–	(126)	(126)	(126)
Exchange adjustment	–	–	12	12	12
At 31 December 2017	–	1,183	8,665	9,848	9,848
At 1 January 2018	–	1,183	8,665	9,848	9,848
Charge for the year	–	358	1,078	1,436	1,436
Written back on disposals	–	–	(172)	(172)	(172)
Exchange adjustment	–	–	(3)	(3)	(3)
At 31 December 2018	–	1,541	9,568	11,109	11,109
Carrying amount:					
At 31 December 2018	3,349,797	2,074	4,622	6,696	3,356,493
At 31 December 2017	2,774,485	2,432	969	3,401	2,777,886

a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

Recurring fair value measurements

	Fair value measurement as at 31 December 2018 categorised into				Fair value measurement as at 31 December 2017 categorised into			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties								
– in Hong Kong	–	–	3,253,700	3,253,700	–	–	2,664,900	2,664,900
– in Singapore	–	–	96,097	96,097	–	–	109,585	109,585
	–	–	3,349,797	3,349,797	–	–	2,774,485	2,774,485

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2018 by the following independent firms of property valuers:

Name of valuer	Location of properties
BMI Appraisals Limited (2017: Savills Valuation and Professional Services Limited)	Hong Kong
Savills Valuation and Professional Services (S) Pte. Ltd. (2017: Same)	Singapore

The above property valuers have among their staff members of the Hong Kong Institute of Surveyors or the Singapore Institute of Surveyors and Valuers with recent experience in the location and category of property being valued. The management has discussion with the property valuers on the valuation assumptions and valuation results when the valuation is performed at the end of the reporting period.

The fair values of the Group's Investment properties located in Hong Kong and Singapore are determined using open market value basis by reference to recent market transactions of comparable properties using market data which is publicly available.

Under the Direct Comparison Method, the market value of the property is assessed having regard to transactions of comparable properties within the vicinity and elsewhere. Prevailing market conditions were considered and due adjustments were made to account for differences in terms of location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions, etc. and other factors affecting its value.

(ii) Information about Level 3 fair value measurements

The following table shows the key unobservable inputs used in the valuation models.

Investment Properties	Key Unobservable Inputs	Inter-Relationship Between Key Unobservable Inputs and Fair Value Measurement
Leasehold Properties		
Singapore		
Direct comparison method	• Price per square feet ("psf"): HK$6,160 to HK$11,713 (2017: HK$5,652 to HK$10,783)	The estimated fair value would increase (decrease) if: • price per square feet was higher (lower) for higher quality buildings and lease terms.
Hong Kong		
Direct comparison method	• Prices psf: HK$28,751 to HK$39,131 (2017: HK$27,200 to HK$28,073)	The estimated fair value would increase (decrease) if: • price per square feet was higher (lower).
Car parking spaces		
Hong Kong		
Direct comparison method	• Price per space: HK$260,000 to HK$1,800,000 (2017: Acquisition price: HK$200,000 to HK$2,000,000)	The estimated fair value would increase (decrease) if: • price per space was higher (lower); or acquisition price was higher (lower).

The movements of investment properties during the period in the balance of these Level 3 fair value measurements are as follows.

	2018	**2017**
	HK$'000	*HK$'000*
At 1 January	2,774,485	2,494,663
Additions arising from subsequent expenditure	13,762	69,734
Additions through acquisition of a subsidiary	–	12,646
Disposals	(9,006)	–
Classified as non-current assets held for sale	(9,873)	–
Write-off of renovation costs	–	(1,185)
Fair value adjustment	582,359	189,669
Exchange adjustment	(1,930)	8,958
At 31 December	3,349,797	2,774,485

Fair value adjustment of investment properties is recognised in the line item "net valuation gain on investment properties" on the face of the consolidated statement of profit or loss.

b) The analysis of the lease terms of the above investment properties carried at fair value is as follows:

	2018	2017
	HK$'000	*HK$'000*
In Hong Kong – long leases	3,253,700	2,664,900
In Singapore – long leases	96,097	109,585
	3,349,797	2,774,485

c) As at 31 December 2018, investment properties with a total carrying amount of approximately HK$3,326,223,000 (2017: HK$2,732,408,000) were pledged as collateral for the Group's bank borrowings. Details of the borrowings are set out in note 16.

d) The Group leased out investment properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every year to reflect market rentals. None of the leases included contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 year	27,721	11,529
After 1 year but within 5 years	10,268	855
	37,989	12,384

e) On 10 November 2018, the Group entered into a sale and purchase agreement with an independent third party for the disposal of an investment property situated in Singapore for a consideration of S$1,725,000 (equivalent to approximately HK$10,040,000). In this connection the investment properties with carrying amount of HK$9,873,000 were classified as non-current assets held for sale at 31 December 2018. The transaction has been completed on 1 February 2019.

10. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31 December 2018.

Name of the company	Place of incorporation	Particulars of issued and paid up capital	Proportion of ownership interests held by the Company		Principal activity
			Direct	Indirect	
Allied Crown Limited	Hong Kong	2 ordinary shares	–	100%	Provision of project management services and securities trading
Asian Vision Limited	Hong Kong	2 ordinary shares	–	100%	Provision of management services
Bossiney Limited	Hong Kong	98 ordinary shares and 2 non-voting deferred shares	–	100%	Property investment
Giant Yield Limited	Hong Kong	98 ordinary shares and 2 non-voting deferred shares	–	100%	Property investment
Hong Fok Land Asia Limited	British Virgin Islands	102 ordinary shares of US$1 each	100%	–	Investment holding
Hong Fok Land Assets Pte. Ltd.	Republic of Singapore ("Singapore")	2 ordinary shares of S$1 each	–	100%	Property investment
Hong Fok Land Holding Limited	Hong Kong	10,500,000 ordinary shares	–	100%	Investment holding
Hong Fok Land Investment Limited	Hong Kong	1,143,724,986 ordinary shares	–	100%	Investment holding and provision of management services
Hugoton Limited	Hong Kong	98 ordinary shares and 2 non-voting deferred shares	–	100%	Property investment
King Dynasty Limited	British Virgin Islands	76 ordinary share of US$1 each	–	100%	Property investment
Magazine Gap Property Management Limited	Hong Kong	2 ordinary shares	–	100%	Provision of property management services
Winfoong Land Limited	Hong Kong	2 ordinary shares	–	100%	Investment holding

11. LONG TERM INVESTMENTS

	31 December 2018	1 January 2018	31 December 2017
	HK$'000	*HK$'000*	*HK$'000*
Financial assets measured at FVOCI (non-recycling) *(note (ii))*			
– Equity security listed in Singapore *(note (i))*	698,329	892,619	–
Financial assets measured at FVOCI (recycling) *(note (ii))*			
– Unlisted debt security	360	300	–
Available-for-sale equity and debt security *(note (ii))*			
– Listed in Singapore at fair value *(note (i))*	–	–	892,619
– Unlisted debt security at fair value	–	–	300
	698,689	892,919	892,919

Note:

(i) The equity security listed in Singapore represents the equity interest of approximately 20.40% in Hong Fok Corporation Limited ("HFC"), which was incorporated in Singapore with its shares listed on the Singapore Exchange Securities Trading Limited, held by the Group at the end of each reporting period.

At 31 December 2018, HFC has indirect interest of approximately 42.33% (2017: 42.33%) of the issued share capital of the Company. Although HFC owns less than half of the voting power of the Company, the directors of the Company consider HFC has de facto control over the Company as a result of adoption of HKFRS10 and therefore to be the ultimate controlling party of the Company.

(ii) Available-for-sale financial assets were reclassified to financial assets measured at FVOCI upon the initial application of HKFRS 9 at 1 January 2018 (see note 2(c)(i)).

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade debtors	82	–
Other debtors	33	208
Loans and receivables	115	208
Deposits and prepayments	2,619	2,744
	2,734	2,952

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group's credit policy is set out in note 22(a)(i).

13. TRADING SECURITIES

	2018	2017
	HK$'000	*HK$'000*
Listed equity securities at FVPL in Hong Kong	204	537

14. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

a) Cash and cash equivalents comprise:

	2018	2017
	HK$'000	*HK$'000*
Cash at banks and other financial institutions	15,712	3,738
Cash in hand	18	14
Short-term deposits with banks	110,314	168,118
	126,044	171,870
Less: Pledged bank deposits for bank borrowings	(35,652)	(26,252)
Cash and cash equivalents	90,392	145,618
Pledged bank deposits analysed for reporting purposes as:		
– Non-current asset	35,652	26,252

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group and will be released upon the settlement of relevant bank borrowings. The pledged bank deposits are classified for reporting purposes in accordance to the maturity dates of the borrowings.

b) Reconciliation of profit before taxation to cash used in operations:

	Note	2018 HK$'000	2017 HK$'000
Profit before taxation		526,287	164,469
Adjustments for:			
Net valuation gain on investment properties	6(c)	(582,359)	(189,669)
Depreciation of other property, plant and equipment	6(d)	1,436	755
Dividend income from long term investments	5	(10,391)	(10,014)
Unrealised fair value loss/(gain) on trading securities	5	23	(77)
Finance costs	6(a)	37,455	21,716
Interest income	5	(1,548)	(932)
Gain on disposal of subsidiaries	21	–	(23,720)
Gain of disposal of investment properties	5	(443)	–
Loss on disposal of other property, plant and equipment	5	2	4
Write-off of renovation costs of investment properties	6(d)	–	1,185
Net foreign exchange (gain)/loss		(34)	309
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(1,460)	34
Increase in rental and utility deposits		(163)	(9)
Decrease/(increase) in trading securities		310	(7)
Increase in trade and other payables		2,007	4,444
Cash used in operations		(28,878)	(31,512)

c) Reconcilliation of liabilities/(assets) arising from financing activities:

The table below details changes in the Group's liabilities/(assets) from financing activities, including both cash and non-cash changes. Liabilities/(assets) arising from financing activities are liabilities/(assets) for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowings	**Bonds**	**Total**	**Pledged bank deposits**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 16)	*(Note 17)*		
At 1 January 2018	127,341	428,285	555,626	(26,252)
Changes from financing cash flows:				
Increase in pledged bank deposits	–	–	–	(9,400)
Proceeds from new bank loans	300,000	–	300,000	–
Repayment of bank loans	(311,725)	–	(311,725)	–
Other borrowing costs paid	(3,660)	(11,938)	(15,598)	–
Total changes from financing cash flows	(15,385)	(11,938)	(27,323)	(9,400)
Exchange adjustment	(344)	–	(344)	–
Deemed capital contribution	–	(76,345)	(76,345)	–
Other changes:				
Interest expenses *(note 6(a))*	3,650	33,805	37,455	–
Transfer to interest payables	10	(80)	(70)	–
Total other changes	3,660	33,725	37,385	–
At 31 December 2018	115,272	373,727	488,999	(35,652)

	Bank borrowings	Bonds	Total	Pledged bank deposits
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 16)	*(Note 17)*		
At 1 January 2017	128,025	410,408	538,433	(18,541)
Changes from financing cash flows:				
Increase in pledged bank deposits	–	–	–	(7,711)
Proceeds from new bonds	–	11,000	11,000	–
Repayment of bank loans	(3,085)	–	(3,085)	–
Other borrowing costs paid	(2,855)	(11,436)	(14,291)	–
Total changes from financing cash flows	(5,940)	(436)	(6,376)	(7,711)
Exchange adjustment	2,401	–	2,401	–
Deemed capital contribution	–	(96)	(96)	–
Other changes:				
Interest expenses *(note 6(a))*	2,861	18,855	21,716	–
Transfer to interest payables	(6)	(446)	(452)	–
Total other changes	2,855	18,409	21,264	–
At 31 December 2017	127,341	428,285	555,626	(26,252)

15. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade creditors	580	631
Other creditors and accrued charges	24,031	26,377
Financial liabilities measured at amortised cost	24,611	27,008
Deposits received	8,433	3,972
	33,044	30,980

All of the trade and other payables are expected to be settled within one year.

16. BANK BORROWINGS

At the end of each reporting period, the bank borrowings were repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
Carrying amount repayable*:		
Within 1 year or on demand	2,754	3,026
After 1 year but less than 2 years	2,754	2,804
After 2 years but within 5 years	108,261	108,410
After 5 years	1,503	13,101
	115,272	127,341

* The amounts due are based on schedule repayment dates as stipulated in respective loan agreements and ignore the effect of any repayment on demand clause.

At the end of each reporting period, the bank borrowings were secured as follows:

	2018	2017
	HK$'000	*HK$'000*
Secured	115,272	127,119
Unsecured	–	222
	115,272	127,341

The analysis of the carrying amount of the bank borrowings is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year or on demand	2,754	3,026
Carrying amount of bank borrowings that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause	12,518	24,315
Amounts shown under current liabilities	15,272	27,341
Amounts shown under non-current liabilities	100,000	100,000
	115,272	127,341

None of the portion of the bank borrowings due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

As at 31 December 2018, the banking facilities of certain subsidiaries were secured by:

i) fixed charges over certain of the Group's investment properties situated in Hong Kong with an aggregate carrying value of approximately HK$3,240,000,000 (2017: HK$2,650,000,000);

ii) assignment of insurance, proceeds from rental and disposal of the aforementioned properties in Hong Kong;

iii) a first legal mortgage over certain of the Group's investment properties situated in Singapore with an aggregate carrying value of approximately HK$86,223,000 (2017: HK$82,408,000);

iv) an assignment of all rights, titles and benefits under existing and future tenancy agreements and rental income to the aforementioned properties in Singapore;

v) charges over certain of the Group's bank deposits of approximately HK$35,652,000 (2017: HK$26,252,000) for the purpose of assignment of proceeds from rental and disposal of the aforementioned properties in Hong Kong and issued shares of certain wholly-owned subsidiaries of the Company;

vi) subordination and assignment of intra-group and shareholders' loans to certain wholly-owned subsidiaries of the Company in favour of the banks;

vii) floating charges over the assets of Hugoton Limited, Bossiney Limited and Giant Yield Limited, wholly-owned subsidiaries of the Company; and

viii) corporate guarantees put up by the Company.

For the year ended 31 December 2018, the effective interest rates for bank borrowings ranged from 2.25% to 5% (2017: 1.96% to 5%) per annum.

17. BONDS

	Bond I	Bond II	Bond III	Bond IV	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note (i),(ii))	*(note (i),(ii))*	*(note (i),(ii))*	*(note (ii))*	
Balance at 1 January 2018	335,951	81,400	10,934	–	428,285
Modification of bonds *(note (ii))*	(336,882)	(81,803)	(10,944)	353,284	(76,345)
Imputed interests	2,657	827	66	30,255	33,805
Reclassification of interest payable to accruals	(1,726)	(424)	(56)	(9,812)	(12,018)
Balance at 31 December 2018	–	–	–	373,727	373,727

Note:

(i) In prior years, the Company issued bonds in aggregate principal amounts of HK$342,000,000 ("Bond I"), HK$84,000,000 ("Bond II") and HK$11,000,000 ("Bond III"), totalling HK$437,000,000 on 9 March 2016, 22 April 2016 and 13 June 2017 respectively, of which HK$190,000,000 were subscribed by the immediate parent, HK$195,000,000 were subscribed by substantial shareholders of the Company and the remaining was subscribed by other shareholder of the Company.

The bonds are non-convertible, unsecured, bearing interest rate of 2.75% per annum payable annually in arrears and will mature on 9 March 2019. The Company may at any time before the maturity date redeem the bonds in whole or in part of principal amounts together with payment of accrued interests by giving not less than 10 days' written notice.

The directors of the Company considered that the excess of approximately HK$20,866,000, arising from the subscription amount of HK$437,000,000 over the fair value of approximately HK$416,134,000 shall be accounted for as deemed capital contribution from the shareholders and recorded as a transaction with owners and credited to the contributed surplus. In this connection, the Group recognised the amounts of approximately HK$96,000 and approximately HK$20,770,000 as deemed capital contribution during the years ended 31 December 2017 and 2016, respectively.

(ii) During the year ended 31 December 2018, the maturity date of Bond I, Bond II and Bond III has been extended from 9 March 2019 to 9 March 2021; other terms of the bonds remain unchanged. On 9 March 2019, the Company issued new bonds in aggregate principal amounts of HK$437,000,000 with the extended maturity date ("Bond IV") to supersede Bond I, Bond II and Bond III ("Modification of bonds").

The directors of the Company considered that the excess of approximately HK$76,345,000, arising from the carrying amounts of approximately HK$429,629,000 over the fair value of approximately HK$353,284,000 at the date of Modification of bonds shall be accounted for as deemed capital contribution from shareholders and recorded as a transaction with owners and credited to the contributed surplus.

(iii) The fair values of Bond I, Bond II, Bond III and Bond IV at the date of issuance were approximately HK$327,293,000, approximately HK$77,937,000, approximately HK$10,904,000 and approximately HK$353,284,000 respectively, which were determined by BMI Appraisals Limited, an independent qualified valuer not connected to the Group. Valuations were made on the basis of Hull White Interest Rate Model which is a method of calculating the fair value of a financial liability and redemption option of the bonds with the following assumptions.

	Bond I	**Bond II**	**Bond III**	**Bond IV**
Expected life	3.00 years	2.88 years	1.74 years	3.00 years
Expected volatility	1.33%	1.28%	0.83%	0.60%
Mean reversion rate	0.171	0.199	0.197	0.028

The fair value measurement of bonds is categorised within the level 3 of fair value hierarchy as they are private placements.

Bond I, Bond II, Bond III and Bond IV are subsequently measured at amortised cost using effective interest method by applying the effective interest rates of 4.31%, 5.53%, 3.28% and 10.52% respectively.

The directors of the Company consider that the fair values of the issuer's redemption options were insignificant on the initial recognition and at 31 December 2018 and 2017.

18. DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2017: HK$30,000). Contributions to the plan vest immediately.

19. DEFERRED TAXATION

a) The component of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax assets and liabilities recognised

	Depreciation allowances in excess of the related depreciation *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
Deferred tax liabilities/(assets) arising from:			
At 1 January 2017	6,096	(4,842)	1,254
Charged/(credited) to profit or loss *(note 7(a))*	874	(3,619)	(2,745)
At 31 December 2017	6,970	(8,461)	(1,491)
At 1 January 2018	6,970	(8,461)	(1,491)
Charged/(credited) to profit or loss *(note 7(a))*	1,329	(3,693)	(2,364)
At 31 December 2018	8,299	(12,154)	(3,855)

Reconciliation to the consolidated statement of financial position:

	2018 *HK$'000*	**2017** *HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	(6,195)	(3,767)
Net deferred tax liabilities recognised in the consolidated statement of financial position	2,340	2,276
	(3,855)	(1,491)

b) Deferred tax assets of the Group not recognised

In accordance with the accounting policy set out in note 2(o), at 31 December 2018, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$558,821,000 (2017: HK$543,313,000) as it is not probable that future taxable profits will be available against which the tax losses can be utilised in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

As at 31 December 2018, tax losses of approximately HK$197,351,000 (2017: HK$185,705,000) were not agreed by the relevant tax authority. The directors of the Company are of the view that the Group has a ground to rebut the aforesaid decision and will take necessary action in due course.

c) Deferred tax liabilities of the Group not recognised

The Group has no material potential deferred tax liabilities as at 31 December 2018 and 2017.

20. CAPITAL AND RESERVES

a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	The Company			
	Share capital	**Contributed surplus**	**Accumulated losses**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2017	74,620	1,677,626	(26,495)	1,725,751
Loss and total comprehensive loss for the year	–	–	(20,421)	(20,421)
Issuance of bonds	–	96	–	96
Balance at 31 December 2017	74,620	1,677,722	(46,916)	1,705,426
Balance at 1 January 2018	74,620	1,677,722	(46,916)	1,705,426
Loss and total comprehensive loss for the year	–	–	(35,093)	(35,093)
Modification of bonds	–	76,345	–	76,345
Balance at 31 December 2018	74,620	1,754,067	(82,009)	1,746,678

b) Share capital

	Number of shares	Nominal value *HK$'000*
Ordinary shares of HK$0.05 each		
Authorised		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	2,000,000,000	100,000
Issued and fully paid		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	1,492,410,986	74,620

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

c) Nature and purpose of reserves

i) Contributed surplus

The contributed surplus of approximately HK$738,870,000 arose in prior years as a result of a group reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation and the then combined net asset value of the subsidiaries acquired.

The contributed surplus of approximately HK$20,866,000 arose in prior years, represented the excess of subscription amount of bonds subscribed by the immediate parent and other shareholders of the Company over the fair value of bonds (note 17).

The contributed surplus of approximately HK$76,345,000 arisen in 2018 represented the difference between the carrying amounts and the fair value of bonds at the date of Modification of bonds (note 17).

According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances. The Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(r).

iii) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(e)). Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39. This amount has been reclassified to fair value reserve (non-recycling) upon the initial adoption of HKFRS 9 at 1 January 2018 (see note 2(c)(i)).

iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2(e)).

d) Distributable reserves

At 31 December 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK$1,672,058,000 (2017: HK$1,630,806,000).

e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, net debt is defined as total debt (which includes interest-bearing borrowings, trade and other payables) less cash and cash equivalents and pledged bank deposits. Capital comprises all components of equity.

During the year ended 31 December 2018, the Group's strategy, which was unchanged from prior year, was to maintain the net debt-to-capital ratio at below 60%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-capital ratio as at 31 December 2018 and 2017 was as follows:

	Note	2018 HK$'000	2017 HK$'000
Current liabilities			
– Financial liabilities included in trade and other payables	15	24,611	27,008
– Bank borrowings	16	15,272	27,341
Non-current liabilities			
– Bank borrowings	16	100,000	100,000
– Bonds	17	373,727	428,285
Total debts		513,610	582,634
Less: Cash and cash equivalents	14(a)	(90,392)	(145,618)
Less: Pledged bank deposits	14(a)	(35,652)	(26,252)
Net debt		387,566	410,764
Capital		3,678,692	3,269,622
Net debt-to-capital ratio		11%	13%

As imposed by bank loan agreements between the banks and certain subsidiaries of the Company, the Group is required to maintain (i) the Consolidated Tangible Net Worth not less than HK$1,000 million and (ii) consolidated net total interest bearing debts not exceed 80% of the Consolidated Tangible Net Worth at any time. For the purpose of these capital requirement, "Consolidated Tangible Net Worth" is defined as the consolidated net assets less the intangible assets and non-controlling interests.

Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

21. DISPOSAL OF SUBSIDIARIES

On 16 May 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interests in U-Kwong Holdings Limited together with novation of the amount due from its immediate holding company of approximately HK$1,227,000 at a total cash consideration of HK$1. U-Kwong Holdings Limited and its wholly owned subsidiary Hammerman Assets Limited (collectively referred to as the "Disposal Group") are principally engaged in property development. The disposal was completed during the year ended 31 December 2017.

The analysis of the disposal of subsidiaries during the year ended 31 December 2017 is as follows:

	HK$'000
Assets and liabilities over which control was lost	
Assets	
Cash in hand	100
Amount due from an immediate holding company	1,227
Liabilities	
Other payables	(23,820)
Net liabilities disposed of	(22,493)
Gain on disposal of subsidiaries	
Cash consideration received	#
Net liabilities disposed of	22,493
Novation of amount due from an immediate holding company	1,227
Gain on disposal	23,720
Net cash outflows arising from disposal	
Cash consideration received	#
Less: Cash and cash equivalents disposed of	(100)
Net cash outflows arising from disposal of subsidiaries	(100)

Amount less than HK$1,000

During the period from 1 January 2017 to the date of completion of the disposal, the Disposal Group did not have any significant contribution to the Group's revenue, results and cash flows.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

a) Financial risk factor

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its long term investments and trading securities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, cash at banks and pledged bank deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group monitors closely the credit ratings of these counterparties and will take appropriate action when their credit ratings change.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. The Group grants a credit period of not more than 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentration of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group have no significant concentration of credit risk.

The Group measures loss allowances for trade and other receivables at an amount equal to lifetime ECLs. To measure the ECL, trade and other receivables have been assessed individually. In addition, the directors of the Company are of the opinion that there was no default occurred on trade and other receivables and the balances are still considered fully recoverable due to the management's historical experience on the settlement pattern or record from these debtors. Base on the assessment by the directors of the Company, the ECL for trade and other receivables are insignificant as at 1 January 2018 and 31 December 2018 and thus no impairment loss allowance was recognised.

The following table provides information about the Group's exposure to credit risk for trade receivables as at 31 December 2018:

	Gross carrying amount
	HK$'000
Current (not past due)	82

ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period) and the earliest date the Group can be required to pay:

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the bank was to invoke its unconditional rights to call the loan with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	2018 Contractual undiscounted cash flow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount at 31 December**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings subject to a repayment on demand clause	15,272	–	–	15,272	15,272
Other bank borrowings	3,944	3,944	102,794	110,682	100,000
Bonds	2,206	12,018	449,018	463,242	373,727
Financial liabilities included in trade and other payables	24,611	–	–	24,611	24,611
	46,033	15,962	551,812	613,807	513,610

	2017 Contractual undiscounted cash flow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount at 31 December**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings subject to a repayment on demand clause	27,341	–	–	27,341	27,341
Other bank borrowings	2,891	2,891	102,048	107,830	100,000
Bonds	2,206	449,018	–	451,224	428,285
Financial liabilities included in trade and other payables	27,008	–	–	27,008	27,008
	59,446	451,909	102,048	613,403	582,634

The following table summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments				
	Within 1 year	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total undiscounted cash outflows**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018	3,160	3,081	8,762	1,517	16,520
2017	3,644	3,351	9,653	13,841	30,489

iii) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, pledged bank deposits and bank borrowings. The Group does not anticipate significant impact to cash and cash equivalents and the pledged bank deposits because the interest rates of bank deposits are not expected to change significantly. The interest rates and maturity information of the Group's bank borrowings are disclosed in note 16. Bank borrowings with variable interest rates expose the Group to cash flow interest rate risk.

Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 1 percentage point (2017: 1 percentage point) in interest rates, with all other variables held constant, would decrease/increase the Group's result after tax and retained profits by approximately HK$963,000 (2017: HK$1,063,000). Other components of consolidated equity would not be affected (2017: Nil) by changes in interest rates.

The sensitivity analyses above indicates that the impact on the Group's result after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period. The analysis is performed on the same basis for the year ended 31 December 2017.

iv) Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group's exposure to currency risk is insignificant.

v) Equity price risk

The Group is exposed to equity price changes mainly arising from equity security classified as financial assets measured at FVOCI (non-recycling) (see note 11) and trading securities (see note 13).

The Group's equity investments are listed in Hong Kong and Singapore. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to industry indicators, as well as the Group's liquidity needs. Listed investment classified as financial assets measured at FVOCI (non-recycling) have been chosen based on their longer term growth potential.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

At 31 December 2018, it is estimated that 10% (2017: 10%) increase/(decrease) in the price of the respective equity security classified as financial assets measured at FVOCI (non-recycling) in the relevant stock market, with all other variables held constant, would have increased/decreased in the Group's fair value reserve (non-recycling) by approximately HK$69,833,000 (2017: HK$89,262,000).

At 31 December 2018, it is estimated that 10% (2017: 10%) increase/(decrease) in the prices of the respective trading securities in the relevant stock market, with all other variables held constant, would have increased/decreased in the Group's profit after tax and retained profits by approximately HK$17,000 (2017: HK$45,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and other components of consolidated equity that would arise assuming that the changes in the stock market index had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for the year ended 31 December 2017.

At 31 December 2018, the Group has concentration of equity price risk on its equity security classified as financial assets measured at FVOCI (non-recycling) and trading securities as the Group only held three (2017: four) listed equity securities in its investment portfolio. The Group's equity security classified as financial assets measured at FVOCI (non-recycling) and trading securities are exposed to equity price risk due to the fluctuation of prices of the listed equity securities in the relevant stock markets.

b) Fair value measurement

i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Recurring fair value measurements

	Fair value measurements as at 31 December 2018 categorised into				Fair value measurements as at 31 December 2017 categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Long term investments	698,689	–	–	698,689	892,919	–	–	892,919
Trading securities	204	–	–	204	537	–	–	537
	698,893	–	–	698,893	893,456	–	–	893,456

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2018 and 2017.

23. COMMITMENTS

a) Capital commitments outstanding at 31 December 2018 and 2017 not provided for in the consolidated financial statements were as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Contracted for		
– redevelopment cost of investment properties	3,018	3,018
– refurbishment cost of investment properties	–	8,596
	3,018	11,614

b) The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At 31 December 2018 and 2017, the total future minimum lease payments under non-cancellable operating leases in respect of properties and equipment are payable as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Within 1 year	6,230	2,681
After 1 year but within 5 years	8,028	451
	14,258	3,132

24. COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

	2018	2017
	HK$'000	*HK$'000*
Non-current asset		
Investment in a subsidiary	1,731,476	1,731,476
Current assets		
Due from subsidiaries	397,812	412,601
Other receivables	1,484	192
	399,296	412,793
Current liability		
Other payables	(10,367)	(10,558)
Net current assets	388,929	402,235
Non-current liability		
Bonds	(373,727)	(428,285)
NET ASSETS	1,746,678	1,705,426
Capital and reserves		
Share capital	74,620	74,620
Reserves	1,672,058	1,630,806
TOTAL EQUITY	1,746,678	1,705,426

25. MATERIAL RELATED PARTY TRANSACTION

a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Short-term employee benefits	19,779	21,444
Post-employment benefits	95	108
	19,874	21,552

b) Other related party transactions

Save as disclosed elsewhere in these financial statements, the Group had also entered into the following material transactions with its related parties during the year.

(i) During the year ended 31 December 2018, the Group received rental income and building management fee in aggregate of approximately HK$2,715,000 (2017: HK$2,722,000) from the key management personnel of the Group. At 31 December 2018, the Group received rental deposits of approximately HK$431,000 (2017: HK$431,000) from the key management personnel of the Group which were included in "Trade and other payables" (note 15).

(ii) As at 31 December 2018, the aggregate principal amounts and carrying amounts of bonds issued to the immediate parent and substantial shareholders of the Company were HK$385,000,000 (2017: HK$385,000,000) and approximately HK$329,256,000 (2017: HK$377,205,000), respectively. The related imputed interest expenses charged on the bonds during the year ended 31 December 2018 were approximately HK$29,800,000 (2017: HK$16,686,000).

In the opinion of the directors of Company, these related party transactions were entered into under the normal course of business and in accordance with the terms of the agreements governing these transactions.

26. PARENT AND ULTIMATE CONTROLLING PARTY

As at 31 December 2018, the directors of the Company consider the immediate parent and ultimate controlling party of the Company to be Hong Fok Corporation (Cayman) Limited, which was incorporated in Cayman Islands with limited liability, and HFC, respectively. The immediate parent does not produce consolidated financial statements available for public use, while the ultimate controlling party produces consolidated financial statements under Singapore Financial Reporting Standards available for public use.

27. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 4 February 2019, the Company announced that a voluntary conditional cash offer will be made by the TUS Corporate Finance Limited on behalf of the Company to buy-back, subject to the Conditions, all the issued share capital of the Company at the price of HK$0.55 per Share (the "Offer").

The Offer will be made in full compliance with the Code on Share Buy-backs and will be financed by the loan facility in the amount of HK$300,000,000 granted by Nanyang Commercial Bank, Limited to the Group for the purpose of financing the Offer. TUS Corporate Finance Limited, as the financial adviser to the Company, is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

The Offer will be conditional upon fulfillment of all of the following conditions (the "Conditions"):

(a) the approval of at least 75% of the votes of the Independent Shareholders by way of poll and not more than 10% of the number of votes cast against the resolution approving the Offer at the special general meeting (the "SGM");

(b) the approval of at least 75% of the votes of the independent shareholders by way of poll at the SGM approving a waiver to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the "Executive") in respect of the obligation of Hong Fok Corporation (Cayman) Limited to make a mandatory general offer in accordance with Note 1 on dispensations from Rule 26 of the Code on Takeovers and Mergers all the ordinary share(s) of the Company not held by it and parties acting in concert with it, which may otherwise arise as a result of the completion of the Offer (the "Whitewash Waiver"); and

(c) the Whitewash Waiver having been granted by the Executive and such waiver not being revoked.

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) – Int 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to HKFRSs, *Annual improvements to HKFRSs 2015-2017 Cycle*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's annual financial report for the year ending 31 December 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, Lease

As disclosed in note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 23, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$14,258,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to approximately HK$12,800,000 and approximately HK$13,172,000, respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

3. STATEMENT OF INDEBTEDNESS

Borrowings

As at 28 February 2019, being the latest practicable date for the purpose of this statement of indebtedness, the Group had total borrowings amounting to approximately HK$485,010,000, details of which are as follows:

	HK$'000
Bank borrowings *(note a)*	106,867
Bonds *(note b)*	378,143
	485,010
Secured	106,867
Unsecured	378,143
	485,010

Note:

(a) At 28 February 2019, the Group's secured borrowings were secured by:

i) fixed charges over certain of the Group's investment properties situated in Hong Kong;

ii) assignment of insurance, proceeds from rental and disposal of the aforementioned properties in Hong Kong;

iii) a first legal mortgage over certain of the Group's investment properties situated in Singapore;

iv) an assignment of all rights, titles and benefits under existing and future tenancy agreements and rental income to the aforementioned properties in Singapore;

v) charges over certain of the Group's bank deposits for the purpose of assignment of proceeds from rental and disposal of the aforementioned properties in Hong Kong and issued shares of certain wholly-owned subsidiaries of the Company;

vi) subordination and assignment of intra-group and shareholders' loans to certain wholly-owned subsidiaries of the Company in favours of the banks;

vii) floating charges over the assets of certain wholly-owned subsidiaries of the Company; and

viii) corporate guarantees put up by the Company.

(b) The bonds are non-convertible, unsecured, bearing interest rate of 2.75% per annum payable annually and will mature on 9 March 2021. The Company may at any time before the maturity date redeem the bonds in whole or in part of principal amounts together with payment of accrued interests by giving not less than 10 day's written notice.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables, at the close of business on 28 February 2019, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, guarantees or material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up to, and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal businesses of the Group are property investment and management, and securities trading.

The Group will continue to focus its resources in managing the existing two core properties in Hong Kong, namely Magazine Gap Towers and Magazine Heights, which are located at 15 and 17 Magazine Gap Road, Mid-Levels Central, Hong Kong respectively. The immediate locality of the two properties is a traditional luxurious residential area. Magazine Gap Towers is a newly refurnished harbour view apartment. The renovation work was completed in the first quarter of 2018. Magazine Heights is a spacious apartment with stunning harbour views. These two properties in Hong Kong contributed approximately 94% of rental income to the Group for the year ended 31 December 2018.

The Group's funding and treasury activities are centrally managed and controlled at the corporate level. The Group's working capital requirements are mainly funded by the unsecured non-convertible bonds and the bank borrowings. The maturity date of the unsecured non-convertible bonds in principal amounts of HK$437,000,000 issued by the Group has been extended from 9 March 2019 to 9 March 2021. The interest rate of 2.75% per annum payable annually in arrears for such bonds remain unchanged.

The Group has been actively looking for other favourable investment opportunities in Hong Kong. However, in view of the increasing price trend of private residential properties over the past few years, it becomes more difficult for the Group to acquire new properties in a reasonable price to further expanding its investment portfolio. As such, the Group has not yet identified any investment targets recently.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the unaudited pro forma net assets per Share of the Group at 31 December 2018 prepared based on the audited consolidated statement of financial position of the Group at 31 December 2018, as extracted from the Company's annual report for the year ended 31 December 2018, and adjusted for the impact of the Offer in accordance with the Schedule III of the Codes assuming that the Offer had been completed on 31 December 2018 to illustrate the effect of the Offer on the financial position of the Group. As it is prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture, of what the net assets and net assets per Share of the Group shall be on the actual completion of the Offer or any future date.

	Audited net assets of the Group at 31 December 2018	**Pro forma Adjustment**	**Unaudited pro forma adjusted net assets of the Group at 31 December 2018**
		(Notes 1 & 2)	
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	4,098,774		4,098,774
Current assets*	104,438	(7,000)	97,438
Current liabilities	(48,453)		(48,453)
Net current assets *(Note 3)*	55,985	(7,000)	48,985
Non-current liabilities *(Note 2)*	(476,067)	(170,059)	(646,126)
Net assets	3,678,692	(177,059)	3,501,633
* Including:			
Bank balances, deposits and cash	90,392	(7,000)	83,392
Non-current assets held for sale	9,873		9,873
	HK$		*HK$*
	(Note 4)		*(Note 5)*
Net assets per Share	2.46		2.96

Notes:

1. The consideration payable for the buy-back of 309,198,321 Shares at the offer price of HK$0.55 per Share payable in cash of approximately HK$170,059,000 and the estimated expenses of approximately HK$7,000,000 directly attributable to the Offer, assuming the Target Acceptance to be bought back by the Company shall be accepted under the Offer. The expenses include legal fees, financial advisory fees and other professional fees, which are incurred for an equity transaction and are accounted for as a reduction from equity.

2. The consideration payable for the Offer of approximately HK$170,059,000 will be financed by the Facility in full. The adjustment represents the drawn down of the Facility of approximately HK$170,059,000 to be used for the settlement of consideration payable for the Offer as if the Offer had been completed on 31 December 2018.

3. The working capital (expressed as net current assets) at 31 December 2018 would decrease from approximately HK$55,985,000 to approximately HK$48,985,000.

4. The net assets per Share of the Group immediately before completion of the Offer is calculated based on the audited net assets of the Group attributable to owners of the Company at 31 December 2018 of approximately HK$3,678,692,000 and 1,492,410,986 Shares in issue at 31 December 2018.

5. The unaudited pro forma adjusted net assets per Share of the Group immediately following the completion of the Offer is calculated based on the unaudited pro forma adjusted net assets of the Group at 31 December 2018 of approximately HK$3,501,633,000 and 1,183,212,665 Shares in issue following the completion of the Offer, which is 1,492,410,986 Shares in issue (immediately before completion of the Offer as detailed above), reduced by 309,198,321 Shares assuming that there is acceptance of the Offer by the Qualifying Shareholders up to the Target Acceptance.

The following unaudited pro forma adjusted basic earnings per share of the Group for the year ended 31 December 2018 is prepared based on the audited consolidated profit attributable to owners of the Company for the year ended 31 December 2018, as shown in the Company's annual report for the year ended 31 December 2018, and adjusted for the effect of the Offer as if the completion of the Offer had taken place at the beginning of the year ended 31 December 2018.

It has been prepared in accordance with the Schedule III of the Codes assuming that the Offer had been completed on 1 January 2018 to illustrate the effect of the Offer on the earnings per share of the Group for the year ended 31 December 2018. As it is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture, of what the earnings per share of the Group shall be on the actual completion of the Offer or any future period.

	For the year ended 31 December 2018	
	(Unaudited)	**(Unaudited pro forma adjusted)**
	HK cents	*HK cents*
	(Note 1)	*(Note 2)*
Basic earnings per Share	35.42	44.22

Notes:

1. The unaudited basic earnings per share for the year ended 31 December 2018 is calculated based on the audited consolidated profit attributable to owners of the Company for the year ended 31 December 2018 of approximately HK$528,564,000 and the weighted average number of 1,492,410,986 Shares in issue during the year ended 31 December 2018.

2. The unaudited pro forma adjusted basic earnings per share for the year ended 31 December 2018 is calculated based on the audited consolidated profit attributable to owners of the Company for the year ended 31 December 2018 of approximately HK$528,564,000 less interest expenses of approximately HK$5,365,000 arising from the loan drawn down from the Facility and the adjusted number of 1,183,212,665 pro forma weighted average number of shares used in the calculation of basic earnings per share, which is the weighted average number of 1,492,410,986 Shares used in the calculation of basic earnings per share for the year ended 31 December 2018, reduced by 309,198,321 Shares bought back as if the completion of the Offer and drawn down of Facility of approximately HK$170,059,000 had taken place on 1 January 2018 and that there is acceptance of the Offer by the Qualifying Shareholders up to the Target Acceptance.

The following is the text of the independent reporting accountant's assurance report received from Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Offer Document.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hong Fok Land International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of adjusted net assets as at 31 December 2018, unaudited pro forma adjusted basic earnings per share for the year ended 31 December 2018 and related notes as set out on pages III-1 to III-3 of Appendix III to the offer document dated 26 April 2019 (the "Offer Document") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix III to the Offer Document.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the voluntary conditional cash offer by TUS Corporate Finance Limited on behalf of the Company to buy-back all the issued shares of the Company (the "Proposed Transaction") on the Group's financial position as at 31 December 2018 and basic earnings per share for the year ended 31 December 2018 as if the Proposed Transaction had taken place at 31 December 2018. As part of this process, information about the Group's financial position as at 31 December 2018 and profit for the year ended 31 December 2018 has been extracted by the Directors from the published financial report of the Company for the year ended 31 December 2018 on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with the Schedule III of the Codes issued by SFC 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 requirements 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 on the unaudited pro forma financial information 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 unaudited pro forma financial information 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 ("HKSAE") 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, in all material respects, the unaudited pro forma financial information in accordance with the Codes issued by SFC and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in the Offer Document is solely to illustrate the impact of a significant event or transaction on the 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 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled, in all material respects, 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 unaudited pro forma financial information 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 unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion, the unaudited pro forma financial information has been properly complied on the basis stated.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 26 April 2019

Lo Charbon
Practising Certificate Number: P06029

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Offer Document received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 January 2019 of the real properties located in Hong Kong.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

26 April 2019

Hong Fok Land International Limited
c/o Allied Crown Limited
Room 3201, 32nd Floor
No. 9 Queen's Road Central
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Hong Fok Land International Limited (the "Company") for us to value the real properties held by the Company and/or its subsidiaries (together referred to as the "Group") located in Hong Kong. We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the real properties as at 31 January 2019 (the "valuation date").

BASIS OF VALUATION

Our valuations of the concerned real properties have been based on the Market Value, which is defined by The Hong Kong Institute of Surveyors 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". The Market Value is also understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

We have valued the real properties on market basis by the Comparison Approach assuming sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the market. Appropriate adjustments have then been made to account for the differences between the real properties and the comparables in terms of location, time, age, size, view, aspect and other relevant factors.

In valuing certain units of the real properties, which are held under existing tenancies, we have also cross-checked our valuations by Investment Approach by capitalizing the net rental income of the rented units of the real properties being held under existing tenancies with due allowance for the reversionary values of the rented units.

TITLE INVESTIGATION

We have caused land searches to be made at the Land Registry and have been provided with extracts of tenancy agreements showing the terms of the tenancies. We have been advised by the Company that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the extracts handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the real properties are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the real properties. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the real properties, we have relied on the advice given by the Company that the owners of the real properties have valid and enforceable titles to the real properties which are freely transferable, and have free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

The real properties were inspected by Ms. Joannau Chan (MHKIS), Mr. Edmund Cheng (MRICS) and Ms. Krain Li (MSc. Construction and Real Estate) in December 2018. We have inspected the real properties externally and where possible, the interior of the real properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the real properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identification of the real properties and all other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the real properties but have assumed that the floor areas shown on the documents handed to us are correct. Except otherwise stated, all dimensions, measurements and areas included in the valuation certificates 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 Company 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 valuations for any charges, mortgages or amounts owing on the real properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the real properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and Share Buy-backs and as advised by the Company, the potential tax liabilities which may arise from the sale of the real properties include:

- Profits Tax: 8.25% on assessable profits up to HK$2,000,000; and 16.5% on any part of assessable profits over HK$2,000,000; and

- Stamp Duty Rates (of which both the seller and the buyer are jointly and severally liable):

  For residential properties, the instruments executed on or after 5 November 2016 or a single instrument executed on or after 12 April 2017 for acquisition or transfer of more than one residential property, stamp duty is subject to at a flat rate of 15% of the consideration or value of the property (whichever is higher).

However, where the purchaser/transferee is a Hong Kong permanent resident (HKPR) who is acting on his/her own behalf and does not own any other residential property in Hong Kong at the time of acquisition. In such case, stamp duty will be subject to at lower rates from 1.5% to 4.25% of the consideration or value of the property (whichever is higher).

For non-residential properties, stamp duty at progressive rates from 1.5% to 8.5% of the consideration or value of the property (whichever is higher).

As advised by the Company, it is expected that the likelihood of any potential tax liability being crystallized is remote as the Company has no intention to sell these real properties.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards (IVS) published by The International Valuation Standards Council.

Our valuations have been prepared under the generally accepted valuations procedures and are in compliance with The Code on Takeovers and Mergers and Share Buy-backs issued by The Securities and Futures Commission.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$) and no allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Joannau W. F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Note: Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 26 years' experience in valuations of real properties in Hong Kong.

SUMMARY OF VALUES

No.	Real property	Market Value in existing state as at 31 January 2019 *HK$*
1.	Magazine Gap Towers, No. 15 Magazine Gap Road, Mid-Levels Central, Hong Kong	1,730,000,000
2.	Magazine Heights, No. 17 Magazine Gap Road, Mid-Levels Central, Hong Kong	1,510,000,000
3.	Upper Roof, The Icon, No. 38 Conduit Road, Mid-Levels West, Hong Kong	800,000
4.	Parking Space Nos. 2-8 and Motorcycle Parking Space No. M1, The Icon, No. 38 Conduit Road, Mid-Levels West, Hong Kong	12,900,000
	Total:	**3,253,700,000**

VALUATION CERTIFICATE

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2019 *HK$*
1.	Magazine Gap Towers, No. 15 Magazine Gap Road, Mid-Levels Central, Hong Kong Inland Lot No. 2570 and The Extension thereto	The real property comprises 36 private car parking spaces on ground floor and 24 residential units of a 14-storey residential building including a basement which was completed in about 1967. The renovation work of the real property was completed in Q1 of 2018. The total saleable area of the residential portion of the real property is approximately 45,596 sq.ft. (or about 4,236 sq.m.). The real property is held under Government lease and Conditions of Extension No. UB4401 for a term of 75 years renewable for 75 years commencing on 4 June 1925.	As advised by the Company, 14 residential units and 15 car parking spaces of the real property are subject to various tenancy agreements with the latest expiring date on 31 December 2020 at a total monthly rent of HK$1,978,000 inclusive of rates and management fee, whilst the remaining portions of the real property are vacant.	1,730,000,000

Notes:

1. The real property is located in Mid-Levels Central district of Hong Kong which is within about 10 minutes' driving distance to the MTR Admiralty Station. The immediate locality is a residential area.

2. The registered owner is Hugoton Limited vide Memorial No. UB3799502 dated 22 July 1988.

3. The real property is subject to the following material encumbrances:

    a. Deed of Variation of Crown Lease vide Memorial No. UB545645 dated 2 June 1966;

    b. Deed Poll with Plans vide Memorial No. UB8663823 dated 8 April 2002;

    c. Debenture and Mortgage and Floating Charge in favour of Nanyang Commercial Bank, Limited in its own right and as agent for and on behalf of the banks vide Memorial No. 15083101340017 dated 27 August 2015; and

    d. Deed of Variations and Further Charge in favour of Nanyang Commercial Bank, Limited vide Memorial No. 17030101370019 dated 24 February 2017.

4. Hugoton Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2019 *HK$*
2.	Magazine Heights, No. 17 Magazine Gap Road, Mid-Levels Central, Hong Kong Inland Lot No. 8021 and The Extension thereto	The real property comprises 42 private car parking spaces on basement and ground floor and 23 residential units of a 14-storey residential building which was completed in about 1968. The total saleable area of the residential portion of the real property is approximately 50,379 sq.ft. (or about 4,680.3 sq.m.). The real property is held under Conditions of Exchange No. UB8466 and Conditions of Extension No. 9396 for a term of 75 years renewable for 75 years commencing on 28 August 1920.	As advised by the Company, 20 residential units and 21 car parking spaces of the real property are subject to various tenancy agreements with the latest expiring date on 19 December 2020 at a total monthly rent of HK$1,745,200 inclusive of rates and management fee, whilst the remaining portions of the real property are vacant.	1,510,000,000

Notes:

1. The real property is located in Mid-Levels Central district of Hong Kong which is within about 10 minutes' driving distance to the MTR Admiralty Station. The immediate locality is a residential area.

2. The registered owners are Bossiney Limited (21/24 shares) vide Memorial No. UB3827761 dated 12 August 1988 and Giant Yield Limited (3/24 shares) vide Memorial No. UB4995704 dated 31 May 1988.

3. The real property is subject to the following material encumbrances:

   a. Deed of Convent with Plans vide Memorial No. UB825618 dated 10 August 1971;

   b. Debenture and Mortgage and Floating Charge in favour of Nanyang Commercial Bank, Limited vide Memorial No. 08082801300074 dated 31 July 2008;

   c. Deed of Variations and Further Charge in favour of Nanyang Commercial Bank, Limited vide Memorial No. 13071000770010 dated 24 June 2013;

   d. Second Deed of Variations in favour of Nanyang Commercial Bank, Limited vide Memorial No. 15070701140015 dated 2 July 2015;

   e. Third Deed of Variations and Further Charge in favour of Nanyang Commercial Bank, Limited vide Memorial No. 17030101370020 dated 15 February 2017; and

   f. Fourth Deed of Variations and Further Charge in favour of Nanyang Commercial Bank, Limited vide Memorial No. 18120300660030 dated 21 November 2018.

4. Bossiney Limited and Giant Yield Limited are indirect wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2019 *HK$*
3.	Upper Roof, The Icon, No. 38 Conduit Road, Mid-Levels West, Hong Kong 4/5,272 equal and undivided shares of and in The Remaining Portion of Inland Lot No. 1253	The real property comprises an upper roof of a 23-storey residential building with a 2-storey basement known as The Icon which was completed in 2010. The area of the real property is approximately 506 sq.ft. (or about 46.99 sq.m.). The real property is held under a Government Lease for a term of 999 years commencing on 25 June 1861.	As advised by the Company, the real property is vacant.	800,000

Notes:

1. The real property is located in Mid-Levels West district of Hong Kong which is within about 10 minutes' driving distance to the MTR Central Station. The immediate locality is a residential area.

2. The registered owner is Allied Crown Limited vide Memorial No. 10122902110044 dated 3 December 2010.

3. The real property is subject to the following material encumbrances:

   a. Occupation Permit No. HK30/2010(OP) vide Memorial No. 10112902510015 dated 12 November 2010; and

   b. Deed of Mutual Covenant and Management Agreement with Plans vide Memorial No. 10122902110051 dated 3 December 2010.

4. Allied Crown Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2019 *HK$*
4.	Parking Space Nos. 2-8 and Motorcycle Parking Space No. M1, The Icon, No. 38 Conduit Road, Mid-Levels West, Hong Kong 50/5,272 equal and undivided shares of and in The Remaining Portion of Inland Lot No. 1253	The real property comprises 2 private car parking spaces and a motorcycle parking space on basement level 1 and 5 private car parking spaces on basement level 2 of a 23-storey residential building with a 2-storey basement known as The Icon which was completed in 2010. The real property is held under a Government Lease for a term of 999 years commencing on 25 June 1861.	As advised by the Company, the real property is vacant.	12,900,000

Notes:

1. The real property is located in Mid-Levels West district of Hong Kong which is within about 10 minutes' driving distance to the MTR Central Station. The immediate locality is a residential area.

2. The registered owner is King Dynasty Limited vide Memorial No. 15110401510013 dated 29 October 2015.

3. The real property is subject to the following material encumbrances:

   a. Occupation Permit No. HK30/2010(OP) vide Memorial No. 10112902510015 dated 12 November 2010; and

   b. Deed of Mutual Covenant and Management Agreement with Plans vide Memorial No. 10122902110051 dated 3 December 2010.

4. King Dynasty Limited is an indirect wholly-owned subsidiary of the Company.

The following is the text of a letter, summary of values and valuation report prepared for the purpose of incorporation in this Offer Document received from Savills Valuation and Professional Services (S) Pte Ltd, an independent valuer, in connection with its valuations as at 31 January 2019 of the properties located in Singapore.

Savills Valuation and
Professional Services (S) Pte Ltd
Reg No.: 200402411G

30 Cecil Street
#20-03 Prudential Tower
Singapore 049712

T: (65) 6836 6888
F: (65) 6536 8611

savills.com

26 April 2019

Hong Fok Land International Limited
c/o Allied Crown Limited
Room 3201
9 Queen's Road Central
Hong Kong

INSTRUCTIONS

In accordance with the instructions of Hong Fok Land International Limited (referred to as the "Company") to value the properties situated in Singapore (as more particularly described in the attached valuation reports), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 31 January 2019 (the "valuation date").

DEFINITION OF MARKET VALUE

The valuation of each of the properties represent its Market Value. The definition of Market Value adopted in the Valuation Standards and Practice Guidelines (2015 Edition) issued by Singapore Institute of Surveyors and Valuers ("SISV") follow the International Valuation Standards 2017 published by the International Valuation Standard Council ("IVSC").

Market Value is defined by the IVSC 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 BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in The Code on Takeovers and Mergers and Share Buy-backs issued by The Securities and Future Commission, Valuation Standards and Practice Guidelines (2015 Edition) issued by SISV and International Valuation Standards 2017 by IVSC.

Our valuations have been made on the assumption that the properties are sold in the open market without the benefit of a deferred term contract or any similar arrangement which could serve to affect the values of the properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owning on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We confirm that we do not have a pecuniary interest that would conflict with a proper valuation of the properties and the valuers undertaking the valuation are authorized to practice and have the necessary expertise and experience in valuation of such type of properties.

The report analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is our personal unbiased professional analyses, opinions and conclusions.

VALUATION METHODOLOGY

In valuing the properties, we have adopted Direct Comparison Method which entails comparing the subject property with sales of similar/ comparable properties in the subject or comparable localities. Adjustments are made for factors which affect value such as location, size, tenure, age/condition, floor level, orientation, facing and date of sale and other relevant characteristics.

TITLE INVESTIGATION

We have conducted online searches from Integrated Land Information Service (INLIS) on the title and floor area of each of the properties.

SITE INSPECTION

We have inspected the properties on 23 and 27 November 2018 respectively. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. The valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delay will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

POTENTIAL TAX LIABILITIES

For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and Share Buy-backs and as advised by the Company, the potential tax liabilities which would arise from the sale of the properties in Singapore comprise income tax (the corporate tax rate is 17%, subject to applicable deductions) and stamp duty (seller's stamp duty is payable on residential and industrial properties that are sold within the holding period).

We were given to understand that one of the property at 10 Anson Road #43-01 International Plaza was sold on 22 November 2018 at the sale price of S$1,725,000 and the sale was completed on 1 February 2019. Based on our understanding, the sale of this property will not be subjected to income tax for the Company as the sale was a disposal of capital asset. The seller's stamp duty is also not applicable as the sale was transacted out of the holding period.

According the information provided by the Company, the rest of properties are held for investment purposes and the likelihood of any potential liability being crystalized is remote as the Company has no intention to sell these properties.

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, all monetary sums as shown in our reports are expressed in Singapore Dollars ("S$").

We enclosed our summary of values and valuation reports.

Yours faithfully,
For and on behalf of
SAVILLS VALUATION AND PROFESSIONAL SERVICES (S) PTE LTD
DANIEL EE
MSISV
Licenced Appraiser
Senior Director

Note: Mr Daniel Ee is the Senior Director of Savills Valuation and Professional Services (S) Pte Ltd and a Licensed Appraiser who has over 25 years of experience in valuation of properties in Singapore.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 January 2019
1	296 Beach Road #18-04 Concourse Skyline, Singapore 199599	S$1,770,000
2	296 Beach Road #21-04 Concourse Skyline, Singapore 199599	S$1,800,000
3	298 Beach Road #09-12 Concourse Skyline, Singapore 199554	S$1,740,000
4	298 Beach Road #11-13 Concourse Skyline, Singapore 199554	S$1,760,000
5	298 Beach Road #12-13 Concourse Skyline, Singapore 199554	S$1,730,000
6	298 Beach Road #11-15 Concourse Skyline, Singapore 199554	S$2,050,000
7	298 Beach Road #12-15 Concourse Skyline, Singapore 199554	S$2,080,000
8	298 Beach Road #13-15 Concourse Skyline, Singapore 199554	S$2,090,000
	Total	**S$15,020,000**

No.	Property	Market Value in existing state as at 31 January 2019
1	10 Anson Road #43-01 International Plaza, Singapore 079903	S$1,720,000
2	10 Anson Road #43-07 International Plaza, Singapore 079903	S$1,720,000
	Total	**S$3,440,000**

VALUATON REPORT

CONCOURSE SKYLINE

Location:	Concourse Skyline is located on the southern side of Beach road, near its junction with Java Road and some 2km from the City Centre. The immediate locality is mixed in character, predominated by commercial developments, pockets of prewar shophouses, hotels, private residential developments and HDB flats. Prominent landmarks nearby include Golden Mile Complex, Golden Sultan Plaza, Textile Centre, City Gate (under construction), Parkroyal on Beach Road, Pan Pacific Serviced Suites Beach Road, The Plaza, The Gateway, Suntec City, Parkview Square, Raffles Hospital, The Golden Landmark, Duo Residences and Bugis Junction, amongst others. Accessibility to other parts of Singapore is facilitated by its proximity to Nicoll Highway, East Coast Parkway, Kallang Paya Lebar/Marina Coastal Expressways while Nicoll Highway MRT Station is located within a short walking distance to subject development.
Subject Development:	Concourse Skyline is a mixed-use development comprising: **302 Beach Road** A part 4-/part 7-storey podium block of commercial units (1st storey), multi-storey carpark (2nd to 4th storeys) and apartments (5th to 7th storeys); **296 & 298 Beach Road** 2 high-rise residential blocks – a part 34-/part 40-storey block (namely, 296 Beach Road) and a part 20-/part 28-storey block (namely, 298 Beach Road) In total, Concourse Skyline accommodates 9 retail units and 360 residential units including 2 super penthouses, 4 penthouses, 4 sky suites and 350 units of 1 to 4-bedroom apartments. Communal facilities provided include the following: **Club Level (5th Storey)** 50m lap pool, wading pool, jacuzzi, pool deck, BBQ pits, sunning lawn, clubhouse, lounge, gymnasium, hot spa, sauna, male and female changing rooms

Sky Garden (29th Storey of 298 Beach Road)
Lawn, sky bar, reflective pool, reflexology path, meditation deck and biological pond

Basement/multi-storey car parking lots, 24-hour security service, audio/video intercom system and proximity card access system are available within the development.

Year of Completion: Circa 2014
(which is obtained from online services of the Urban Redevelopment Authority's Real Estate Information System ("REALIS"))

Condition: The properties appeared to be in an average state of repairs and maintenance based on our visual inspection having regard to its age and existing use.

Tenure: Leasehold for 99 years commencing 13 March 2008

Registered Proprietor: Hong Fok Land Assets Pte. Ltd.
(an indirect wholly-owned subsidiary of the Company)

Master Plan (2014): Zoned "Commercial"

No.	Property	Description	Legal Description (All of Town Subdivision 13)	Strata Floor Area (sm)	Particulars of occupancy (as at date of valuation)	Market Value in existing state as at 31 January 2019
1	296 Beach Road #18-04	1-bedroom apartment	U1535A	82	Tenanted	S$1,770,000
2	296 Beach Road #21-04	1-bedroom apartment	U1538X	82	Vacant	S$1,800,000
3	298 Beach Road #09-12	1-bedroom apartment	U1695M	81	Tenanted	S$1,740,000
4	298 Beach Road #11-13	1-bedroom apartment	U1709T	81	Tenanted	S$1,760,000
5	298 Beach Road #12-13	1-bedroom apartment	U1710V	79	Tenanted	S$1,730,000
6	298 Beach Road #11-15	2-bedroom apartment	U1750X	101	Tenanted	S$2,050,000
7	298 Beach Road #12-15	2-bedroom apartment	U1751L	102	Vacant	S$2,080,000
8	298 Beach Road #13-15	2-bedroom apartment	U1752C	102	Tenanted	S$2,090,000
		Total		**710**	–	**S$15,020,000**

VALUATION REPORT

INTERNATIONAL PLAZA

Location:	International Plaza is located at the junction of Anson Road and Choon Guan Street, within the Central Business District and next to Tanjong Pagar MRT Station. The immediate locality is mixed in character, predominated by commercial developments, pockets of prewar shophouses, hotels, private residential developments and HDB flats. Prominent landmarks nearby include Tanjong Pagar Center, AXA Tower, Springleaf Tower, MAS Building, Twenty Anson, Mapletree Anson, ICON, Skysuites @ Anson, Altez, Amara Singapore/100 AM, Carlton City Hotel Singapore, Oasia Hotel Downtown Singapore and Tanjong Pagar Plaza, amongst others. Accessibility to other parts of Singapore is facilitated by its proximity to Ayer Rajah/Marina Coastal Expressways, West Coast Highway and East Coast Parkway.
Subject Development:	International Plaza is a 50-storey commercial-cum-residential development comprising a podium block with shops on levels 1 to 3, offices on levels 5 and 6 and multi-storey carpark from levels 4 to 8; and a tower block accommodating offices from levels 9 to 36; a total of 208 apartments and 2 penthouses from levels 37 to 50 as well as communal recreational facilities on level 36 and level 37. Communal facilities provided include swimming pool and gymnasium on level 36 and badminton court on level 37.
Year of Completion:	Circa 1970s (which is obtained from online services of the Urban Redevelopment Authority's Real Estate Information System ("REALIS"))
Condition:	The properties appeared to be in an average state of repairs and maintenance based on our visual inspection having regard to its age and existing use.
Tenure:	Leasehold for 99 years commencing 2 June 1970
Registered Proprietor:	Hong Fok Land Assets Pte. Ltd. (an indirect wholly-owned subsidiary of the Company)
Master Plan (2014):	Zoned "Commercial"

No.	Property	Description	Legal Description (All of Town Subdivision 3)	Strata Floor Area (sm) including 12 sm of accessory lot	Particulars of Occupancy (as at date of valuation)	Market Value in existing state as at 31 January 2019
1	10 Anson Road #43-01	2-bedroom apartment	U199K and Accessory Lot A9P	149	Tenanted	S$1,720,000
2	10 Anson Road #43-07	2-bedroom apartment	U914L and Accessory Lot A185X	149	Tenanted	S$1,720,000
		Total		**298**	**–**	**S$3,440,000**

LIMITING CONDITIONS

Our valuations are subject to the following limiting conditions unless otherwise stated in our valuation report.

Valuation Standards:	The valuation is carried out in accordance with the Valuation Standards and Practice Guidelines published by the Singapore Institute of Surveyors and Valuers, and/or International Valuation Standards and/or RICS Valuation Standards, subject to variations to comply with local laws, customs and practices.
Valuation Basis:	The valuation is carried out on a basis appropriate to the specific purpose of valuation, in accordance with the relevant definitions, assumptions and qualifications outlined in the valuation report. The opinion expressed in the valuation report applies strictly in accordance with the terms and for the purpose expressed therein. The assessed values need not be applicable in relation to some other assessment.
Currency of Valuation:	Values are reported in Singapore currency unless otherwise stated.
Confidentiality:	Our valuation is confidential and strictly for the use of the addressee of the valuation report only and for the specific purpose(s) stated. Savills disclaim all responsibility and will accept no accountability, obligation or liability to any third parties.
Copyright:	Neither the whole nor any part of the valuation report or any reference to it may be included in any published document, statement, circular or be published in any way, nor in any communication with any third parties, without prior written approval from Savills, including the form and context in which it may appear.
Limitation of Liability:	The liability of Savills and its employees is only limited to the party to whom the valuation report is addressed. No responsibility to any third parties for unauthorized use and reliance is accepted. Any liability arising from the valuers' negligence, breach of contract or otherwise in connection with this engagement shall be limited to the fees received by Savills under this engagement. Savills do not accept liability for any indirect or consequential losses (such as opportunity cost and loss of profits).

Validity Period: This valuation represents our opinion of value as at the date of valuation. The assessed value may change significantly and unexpectedly over a short period arising from general market movement, possible changes in market forces and circumstances in relation to the property. Savills disclaim all responsibility and accept no liability should the valuation report be relied upon after the expiration of 3 months from the date of valuation, or such earlier date if the addressee of the report becomes aware of any factors that may have an effect on the valuation and has not made known such information to Savills.

Titles: A brief on-line title search on the property has been carried out only. We are not obliged to inspect and/or read the original title or lease documents, unless they are made available by the client. The valuation shall therefore assume, unless informed to the contrary, that there are no further restrictive covenants, easements or encumbrances not disclosed by this brief title search which may have an effect on the market value. We assume the title of the property is good and marketable and free from all encumbrances, restrictions and other legal impediments.

Planning Information: Information relating to town planning is obtained from the current Singapore Master Plan which is assumed to be accurate. We do not normally carry out legal requisitions on road, MRT, LRT, drainage and other government proposals, unless specifically requested and Savills is properly reimbursed. In the event that legal requisitions are conducted by our clients which reveal that the information is materially different from the town planning information outlined in the valuation report and/or property is affected by public scheme(s), this report should then be referred back to Savills for review on possible amendment.

Other Statutory Regulations: Our valuation assumes that the property and any improvements thereon comply with all relevant statutory regulations. We have assumed that the property has been or will be issued with a Temporary Occupation Permit, Certificate of Fitness, Certificate of Statutory Completion or Temporary Occupation License by the competent authority.

Site Condition: We do not undertake site investigations to ascertain the suitability of the ground conditions and services for the existing or any new development, nor do we carry out any environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and where new development is proposed, no extraordinary expenses or delays will be incurred during the construction period. We have assumed that the load bearing capacity of the site is sufficient to support the building constructed or to be constructed thereon.

Condition of Property: While due care is exercised in the course of inspection to note any building defects, no structural survey or testing of the services or facilities are carried out nor have we inspected the unexposed or inaccessible portions of the building. As such, we are unable to comment if the building is free from defect, rot, infestation, asbestos or other hazardous material. Our valuation assumes that the building would not have any defects requiring significant capital expenditure and complies with all relevant statutory requirements.

Source of Information: Where it is stated in the valuation report that the information has been provided to the valuer by the sources listed, this information is presumed to be reliable. Savills takes no responsibility for inaccurate data supplied and subsequent conclusions related to such data. Where information is given without reference to another party in the report, it shall be taken that this information has been obtained or gathered through our best efforts and to our best knowledge. Processed data inferences therefrom shall be taken as the valuer's opinion and shall not be freely quoted without acknowledgement.

Floor Areas: We have assumed that information contained in the surveyed or architectural floor plans is accurate and has been prepared in accordance with the prevailing Professional Property Practice Guidelines. In the absence of such plans, the floor area is estimated based on available secondary information and such estimates do not provide the same degree of accuracy or certainty. In the event that there is a material variance in areas, we reserve the right to review our valuation.

Plans: Plans included in the valuation report are for identification purposes only and should not be relied upon to define boundaries or treated as certified copies of areas or other particulars contained therein. All location plans are obtained from OneMap. While we have endeavoured to ensure the maps are updated, we do not vouch for the accuracy of the map and shall not be responsible if it is otherwise.

Tenant: No enquiries on the financial standing of actual or prospective tenants have been made. Where property is valued with the benefit of lettings, it is assumed that the tenants are capable of meeting their obligations under the lease and there are no arrears of rent or undisclosed breaches of covenant.

Reinstatement Cost: Our opinion of the reinstatement cost for fire insurance purpose is provided only for guidance and must not be relied upon as the basis for insurance cover. We advise that we are not quantity surveyors and our estimate of the construction cost is based upon published sources. We recommend that verification of the insurance replacement cost be sought from a qualified quantity surveyor, if considered appropriate.

Attendance in Court: Savills or its employees are not obliged to give testimony or to appear in court or any other tribunal or to any government agency with regards to this valuation report or with reference to the property in question unless prior arrangement has been made and Savills are properly reimbursed.

1. RESPONSIBILITY STATEMENT

This Offer Document, for which the Directors jointly and severally accept full responsibility, includes particulars given in compliance with the Codes for the purpose of giving information with regard to the Company. The Directors, jointly and severally accept full responsibility for the accuracy of information contained in this Offer Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Offer will be as follows:

Authorised		*HK$*
2,000,000,000	Shares as at the Latest Practicable Date	100,000,000
Issued and fully paid or credited as fully paid		
1,492,410,986	Shares as at the Latest Practicable Date	74,620,549
(309,198,321)	Shares proposed to be cancelled under the Offer	(15,459,916)
1,183,212,665	Shares upon completion of the Offer	59,160,633

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and capital.

As at the Latest Practicable Date, save for 1,492,410,986 Shares in issue, the Company does not have other class of securities, outstanding options, derivatives, warrants, conversion rights affecting the Shares or other securities which are convertible or exchangeable into Shares.

No shares have been issued or bought back by the Company since the end of the last financial year of the Company ended 31 December 2018 and up to the Latest Practicable Date.

There has been no re-organisation of capital of the Company during the two financial years immediately preceding the commencement of the Offer Period.

3. DIVIDENDS DECLARED/PAID

During the two-year period immediately preceding the date of this Offer Document, the Company had not declared/paid any dividends. The Directors do not have any intention to declare any dividend or to alter the dividend policy of the Company as at the Latest Practicable Date.

4. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES

As at the Latest Practicable Date, the interests of the Directors and chief executives in the Shares are as follows:

Name of Directors	Capacity in which interests are held	Number of Shares interested	Approximate percentage of shareholding
Mr. Cheong PC	Interest of spouse	3,397,000 *(Note)*	0.23%

Note: These Shares are held by Ms. Cheong Zee Yee Ling, Helen, the spouse of Mr. Cheong PC and as a result, Mr. Cheong PC is deemed to be interested in these Shares.

Save as disclosed above, none of the Directors and chief executives were interested in the Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, no parties acting in concert with the Directors had any other interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the Latest Practicable Date, the Directors did not hold any direct beneficial shareholdings in the Company. Mr. Cheong PC held approximately 0.23% interest of the Company through his spouse, Ms. Cheong Zee Yee Ling, Helen, who undertook not to accept the Offer.

During the Relevant Period, none of the Company or any of the Directors has borrowed or lent any Shares.

5. SHARE BUY-BACKS AND ISSUES

The Company has not bought back or issued any Shares in the two-year period preceding the date of this Offer Document.

6. ARRANGEMENTS AFFECTING DIRECTORS

No benefit has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer and the Whitewash Waiver.

As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer and the Whitewash Waiver.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) that existed between the Company and/or the Concert Group and/or any person acting in concert with them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer and/or the Whitewash Waiver.

As at the Latest Practicable Date, there was no material contract entered into by the Company and/or the Concert Group in which any Director has a material personal interest.

7. OTHER INTERESTS AND DEALINGS IN THE SHARES

As at the Latest Practicable Date, the Concert Group are interested in the following debentures issued by the Company:

Name of Bondholders	Date of Issue of the Bonds	Principal Amount of Bonds *(HK$)*	Interest rate of the Bonds	Maturity date of the Bonds
Barragan	9-Mar-16	100,000,000.00	2.75%	9 March 2021
HF (Cayman)	9-Mar-16	190,000,000.00	2.75%	9 March 2021
Dekker	22-Apr-16	84,000,000.00	2.75%	9 March 2021
Dekker	13-Jun-17	11,000,000.00	2.75%	9 March 2021
Total		385,000,000.00		

During the Relevant Period, there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or dealing for value in any Shares by (i) the Directors and parties acting in concert with them, and (ii) the Concert Group, their directors and parties acting in concert with them.

During the Relevant Period, none of the Concert Group and parties acting in concert with it and their directors/trustee had any dealing in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

During the Relevant Period, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, the Concert Group or any person acting in concert with them.

The Concert Group has indicated that they will not accept the Offer for the Shares held by them as at the Latest Practicable Date. Save as disclosed above, none of the Concert Group or parties acting in concert with it (including its directors) holds, controls or has directions over voting rights, rights over Shares, convertible securities, warrants, options or derivatives of the Company, nor has the Company or parties acting in concert with it received any irrevocable commitment from other Shareholders to accept or reject the Offer or vote for or against the Whitewash Waiver in the SGM.

During the Relevant Period, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person who owned or controlled any shareholding in the Concert Group with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code. As such, there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by any person who is an associate (as defined in the Takeovers Code) of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate (as defined in the Takeovers Code) during the Offer Period and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, none of the Company, the Concert Group or parties acting in concert with them had borrowed or lent any Shares.

As at the Latest Practicable Date, none of the subsidiaries of the Company, pension funds of the Company, any of the Company's subsidiaries, any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) or by a person who is presumed to be acting in concert with the Company by virtue of class (4) of the definition of acting in concert under the Takeovers Code had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. As such, there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by any of the subsidiaries of the Company, pension funds of the Company, any of the Company's subsidiaries, any advisers to the Company as specified in class (2) of the definition of associate (as defined in the Takeovers Code) or by a person who is presumed to be acting in concert with the Company by virtue of class (4) of the definition of acting in concert under the Takeovers Code during the Offer Period and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company. As such, there has been no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by any fund manager connected with the Company who manages the shareholding in the Company on a discretionary basis during the Offer Period and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding whereby any Shares to be acquired pursuant to the Offer will be transferred, charged or pledged to any other persons.

Save for the shareholding interest of approximately 20.60% in Hong Fok Corp by HFLH, an indirect wholly-owned subsidiary of the Company, the Company does not have any other shareholding interests in any members of the Concert Group as at the Latest Practicable Date.

8. MARKET PRICE

As the Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the Shares quoted on the Stock Exchange or any other stock exchanges.

In addition, no transaction of the Shares has taken place during the Relevant Period.

9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contracts in force with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period; or (ii) are continuous contracts with a notice period of twelve months or more; or (iii) are fixed term contracts with more than twelve months to run irrespective of the notice period.

10. EXPERTS AND CONSENTS

The following is the qualifications of the expert who has given opinions or advice, which is contained in this Offer:

Name	Qualifications
TUS Corporate Finance Limited	a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Lego Corporate Finance Limited	a corporation licensed under the SFO to carry type 6 (advising on corporate finance) regulated activity
Crowe (HK) CPA Limited	Certified Public Accountants
BMI Appraisals Limited	Independent Professional Valuer
Savills Valuation and Professional Services (S) Pte Ltd	Independent Professional Valuer

As at the Latest Practicable Date, each of the foregoing experts has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion therein of its report and reference to its name in the form and context in which it appear in this Offer Document.

As at the Latest Practicable Date, none of the foregoing experts had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of foregoing experts had any direct or indirect interest in any assets which have been, since 31 December 2018 (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 any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MATERIAL CONTRACTS

The following are contracts (not being a contract entered into in the ordinary course of the business) carried on or intended to be carried on by the Company or any of its subsidiaries, which are or may be material, within two years immediately preceding the date of commencement of the Offer Period:

(a) the sale and purchase agreement dated 16 May 2017 entered into between Hong Fok Land Asia Limited, a wholly-owned subsidiary of the Company, as the vendor and Leading Rider Limited, a third party as the purchaser, in relation to disposal of the entire issued share of an indirect wholly-owned subsidiary of the Company, U-Kwong Holdings Limited at the consideration of HK$1 with the gain of approximately HK$23,720,000;

(b) the sale and purchase agreement dated 21 April 2018 (with letter of acceptance dated 30 April 2018) entered between Hong Fok Land Assets Pte. Ltd., an indirect wholly-owned subsidiary of the Company, as the vendor and Mr. Noel Png Jia Hao, a third party individual as the purchaser, to dispose a property in Singapore with the consideration amount of S$1,648,000;

(c) the sale and purchase agreement dated 10 November 2018 (with letter of acceptance dated 10 November 2018) entered between Hong Fok Land Assets Pte. Ltd., an indirect wholly-owned subsidiary of the Company, as the vendor and Lee Jia Yen Dionne, a third party individual as the purchaser, to dispose a property in Singapore with the consideration amount of S$1,725,000; and

(d) the fifth supplement to the loan agreement dated 21 November 2018 entered into between Bossiney Limited and Giant Yield Limited (as the "**Borrower**"), the two indirect wholly-owned subsidiaries of the Company, and Nanyang Commercial Bank, Limited in relation to a revolving loan facility in the amount of HK$500,000,000 for financing the general working capital of the Borrower and/or the Company, and the Facility for financing the Offer.

12. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which any member of the Group may become a party.

13. GENERAL

a. The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The correspondence address of the Company is Room 3201, 9 Queen’s Road Central, Hong Kong.

b. The Concert Group comprises HFC Subsidiaries, the Cheong’s Family, Barragan, Dekker, Mr. Cheong PC and Mr. Cheong SE.

c. Each of the HFC Subsidiaries is wholly-owned by HFC. Mr. Cheong PC and Mr. Cheong SE are directors of each of the HFC Subsidiaries. The residential address of Mr. Cheong PC is 12/F, Magazine Heights, 17 Magazine Gap Road, Mid-Levels Central, Hong Kong. The residential address of Mr. Cheong SE is 3 Chatsworth Park Singapore 249809.

d. The ultimate beneficial owner and sole director of Barragan is Mr. Kuo Pao Chih, Keith (an individual residing in Singapore) and his correspondence address is 10/F, Guangdong Investment Tower, 148 Connaught Road, Central, Hong Kong; and the ultimate beneficial owner and sole director of Dekker is Mr. Lee Keng Seng (an individual residing in Malaysia) and his correspondence address is Units 1607-8, 16/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

e. The residential address of Ms. Cheong Zee Yee Ling, Helen is 12/F Magazine Heights, 17 Magazine Gap Road, Mid-Levels Central, Hong Kong. The residential address of Ms Cheong Hooi Kheng is 24 Cable Road, Singapore 249895.

f. The principal place of business of Tus Corporate Finance Limited in Hong Kong is 15/F, Shanghai Commercial Bank Tower, 10-12 Queen’s Road Central, Central, Hong Kong.

g. The English text of this Offer Document, the form of proxy for the SGM and the Acceptance Form shall prevail over Chinese text.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the website of the SFC (www.sfc.hk); and at the office of Allied Crown Limited, a subsidiary of the Company, at Room 3201, 9 Queen's Road, Central, Hong Kong (during normal business hours from 9:00 a.m. to 6:00 p.m. on any Business Day) from the date of this Offer Document for so long as the Offer remains open for acceptance:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for each of the two years ended 31 December 2017 and 2018;

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

(d) the letter from the Board, the text of which is set out on pages 6 to 18 of this Offer Document;

(e) the letter from TUS Corporate Finance Limited, the text of which is set out on pages 19 to 25 of this Offer Document;

(f) the letter from the Independent Board Committee, the text of which is set out on pages 26 to 27 of this Offer Document;

(g) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 53 of this Offer Document;

(h) the independent reporting accountant's assurance report on the compilation of unaudited pro forma financial information of the Group issued by Crowe (HK) CPA Limited, the text of which is set out on pages IV-1 to IV-3 of this Offer Document;

(i) the property valuation reports, the text of which are set out in Appendices V-A and V-B of this Offer Document;

(j) the material contracts as set out under the section headed the 'Material Contracts' in this Appendix VI;

(k) the Irrevocable Undertakings; and

(l) the Offer Document and the accompanying Acceptance Form.

HONG FOK LAND INTERNATIONAL LIMITED
(鴻 福 國 際 有 限 公 司*)

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Hong Fok Land International Limited (the "**Company**") will be held at Falcon Room, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 31 May 2019 at 11:00 a.m. for the following purposes:

SPECIAL RESOLUTION

The following resolution part (a) and (b) will each be proposed to be considered and if thought appropriate passed with or without amendments as a special resolution of the Company:

"**THAT**:

(a) the conditional cash offer (the "**Offer**") by TUS Corporate Finance Limited on behalf of the Company to buy-back all shares in the issued share capital of the Company (the "**Shares**") at a price of HK$0.55 per Share in cash and subject to the terms and conditions set out in the Offer Document (a copy of which marked "A" has been produced to the SGM and initialed by the chairman of the SGM for the purpose of identification) together with the accompanying acceptance form despatched to the shareholders of the Company (the "**Shareholders**") and dated 26 April 2019 be approved, and that any one of the directors of the Company be and is hereby authorised to execute all such documents with or without amendments and do all such things as he/she considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including without limitation, completion of the Offer; and

(b) the waiver (the "**Whitewash Waiver**") in respect of any obligation under Hong Kong Codes on Takeovers and Mergers and Share Buy-backs (the "**Codes**") of Hong Fok Corporation (Cayman) Limited and parties acting in concert (such term as defined in the Codes) with them to make a mandatory general offer for the issued Shares not held by them which may, but for such Whitewash Waiver, arise upon completion of the Offer be and is hereby approved, and that any one of the directors of the Company be and is hereby authorised to execute all such documents with or without amendments and do all such things as he/she considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Whitewash Waiver."

By Order of the Board
Hong Fok Land International Limited
Cheong Pin Chuan
Joint Chairman and Joint Managing Director

Hong Kong, 26 April 2019

Notes:

1. Any member entitled to attend and vote at the meeting will be entitled to appoint a proxy or, if such member is a holder of two or more shares, proxies to attend and vote in such member's stead. A proxy need not be a member of the Company but must attend the meeting in person to represent the appointing member.

2. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited at the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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 convened or any adjournment thereof (as the case may be) and in such event the instrument appointing the proxy shall be deemed to be revoked.

4. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders be 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, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the Directors of the Company Mr. Cheong Pin Chuan, Mr. Cheong Sim Eng, Mr. Chan Yee Hoi and Mr. Ng Lin Fung.