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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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## WAI KEE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

### MAJOR TRANSACTION — PROPOSED FORMATION OF JOINT VENTURE THROUGH THE TRANSFER AND RK COMMITMENT AND NOTICE OF SPECIAL GENERAL MEETING

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Capitalized terms used on this cover page shall have the same meanings as defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 15 of this circular.

A notice convening the WK SGM to be held at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 13 January 2023 at 3:30 p.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you intend to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of Wai Kee in Hong Kong, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the WK SGM or any adjourned meeting if they so wish.

#### PRECAUTIONARY MEASURES AT THE SPECIAL GENERAL MEETING

**Please refer to Appendix VII (Notice of Special General Meeting) in this circular for measures being taken to safeguard the health and well-being of the Shareholders who are attending the WK SGM in person, including:**

- body temperature check
- health declaration
- wearing surgical face mask
- access restriction for quarantine participants according to the Department of Health of Hong Kong
- any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic
- no refreshment

Any Shareholder who refuses to co-operate with the precautionary measures will not be admitted to the venue. For the health and well-being of the Shareholders, **Wai Kee would like to encourage the Shareholders to exercise their right to vote at the WK SGM by appointing the Chairman of the WK SGM as their proxy and to return their proxy forms by the time specified above, instead of attending the WK SGM in person.**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associate”	has the meaning ascribed to it under the Listing Rules
“Balancing Transaction(s)”	the transfer of shares of the Project Company from Wise Start to Shine Precious and/or the issue of shares of the Project Company to Shine Precious such that the shareholding by the JV Parties in the Project Company after the exercise of the Loan Redemption Right by Wise Start is proportionate to the shareholder loans due from the Project Company to the respective JV Parties (on the basis that Shine Precious has advanced shareholder loans up to the RK Commitment)
“BK SGM”	means the special general meeting of Build King to be convened and held to consider and, if thought fit, to approve the transactions contemplated under the Investment Agreement
“Board”	the board of Directors
“Bonds and Perpetual Securities”	the various senior guaranteed notes and senior guaranteed perpetual capital securities, all listed on the Singapore Exchange, issued by RKP Overseas Finance 2016 (A) Limited, RKI Overseas Finance 2017 (A) Limited, RKPF Overseas 2019 (A) Limited, RKPF Overseas 2019 (E) Limited, RKPF Overseas 2020 (A) Limited and guaranteed by Road King
“Build King”	Build King Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 240)
“Build King Group”	Build King and its subsidiaries
“Completion”	completion of the Transfer
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by Wise Start to Shine Precious for the Transfer
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Cost of Sale Shares”	HK\$15,700, being the consideration ascribed to the Sale Shares
“Development Company”	深圳市盛世盈豐投資發展有限公司, a company established in the PRC which is the developer of the Project and is indirectly wholly-owned by the Project Company
“Director(s)”	the director(s) of Wai Kee

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## DEFINITIONS

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“Enlarged Group”	the Wai Kee Group and the Project Group upon the Completion
“Extension Agreement”	the Extension Agreement dated 23 November 2022 entered into between Shine Precious and Wise Start in relation to the extension of the Long Stop Date
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent BK Shareholders”	the shareholders of Build King other than Wai Kee and Mr. Zen Wei Peu, Derek and its/his associates who are required by the Listing Rules to abstain from voting at the BK SGM on the resolutions approving the Investment Agreement and the transactions contemplated thereunder
“Independent Non-executive Director(s)”	the independent non-executive director(s) of Wai Kee
“Independent RK Shareholders”	the shareholders of Road King other than Wai Kee and Mr. Zen Wei Peu, Derek and its/his associates who are required by the Listing Rules to abstain from voting at the RK SGM on the resolutions approving the Investment Agreement and the transactions contemplated thereunder
“Investment Agreement”	the Investment Agreement regarding the Project Company dated 6 October 2022 entered into between Shine Precious, Wise Start, Road King and Build King
“JV Parties”	collectively, Shine Precious and Wise Start, and each a “JV Party”
“Latest Practicable Date”	19 December 2022, being the latest date by which certain information in this circular is ascertained prior to publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Redemption Right”	the right granted to Wise Start under the Investment Agreement to require the Project Company to repay the shareholder loans (or part thereof) due to Wise Start on specified redemption dates
“Long Stop Date”	31 January 2023 (or such later date as the JV Parties may agree in writing)
“Management Company”	深圳市盛世盈豐物業管理有限公司, a company established in the PRC which manages the residential development on the Site and is wholly-owned by the Development Company
“percentage ratios”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“PRC”	the People’s Republic of China, which for the purposes of this circular does not include Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan
“Project”	an urban renewal project involving the demolition and resettlement and re-development of the Site
“Project Company”	Rainbow Triumph Limited (彩喜有限公司), an investment-holding company incorporated in the British Virgin Islands which indirectly wholly-owns the Development Company
“Project Financing”	from time to time, the borrowings and financing sought from banks or other financial institutions to finance the development of the Project
“Project Group”	the Project Company and its subsidiaries
“Redemption”	the redemption of all or part of the Sale Loans pursuant to exercise of the Loan Redemption Right by Wise Start
“Redemption Price”	the price at which the relevant amount of the Sale Loans will be repaid to Wise Start upon exercise of the Loan Redemption Right by Wise Start
“RK Commitment”	further shareholder loans from the Road King Group that Shine Precious commits to advance to the Project Company which, when aggregated with existing shareholder loans due to the Road King Group immediately following Completion, shall amount to HK\$3,200,000,000
“RK SGM”	means the special general meeting of Road King to be convened and held to consider and, if thought fit, to approve the transactions contemplated under the Investment Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Road King”	Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 1098)
“Road King Group”	Road King and its subsidiaries
“Sale Loans”	shareholder loans due from the Project Company to Shine Precious, in the principal amount of HK\$800,000,000
“Sale Shares”	2,000 shares of the Project Company, representing 20% of the issued shares of the Project Company as at the date of the Investment Agreement

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the holder(s) of the Shares
“Shares”	the ordinary share(s) of par value of HK\$0.10 each in the capital of Wai Kee
“Shine Precious”	Shine Precious Limited (耀貴有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Road King
“Site”	the site at which the Project is situated, located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the PRC with a development site area of approximately 44,339.4 sq.m.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsisting Guarantees”	the subsisting guarantees given by any member of the Project Group in respect of the Bonds and Perpetual Securities or other bonds and perpetual securities issued by the Road King Group
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transfer”	the sale and purchase of the Sale Shares, and the assignment of the Sale Loans on the terms of the Investment Agreement
“Unaudited Pro Forma Financial Information”	the unaudited pro forma condensed consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 and related notes as set out in Appendix IV to this circular
“Wai Kee”	Wai Kee Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 610)
“Wai Kee Group”	Wai Kee and its subsidiaries
“Wise Start”	Wise Start Global Limited (啟智環球有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Build King
“WK SGM”	means the special general meeting of Wai Kee to be convened and held to consider and, if thought fit, to approve the transactions contemplated under the Investment Agreement
“%”	per cent.
“sq. m.”	square meter(s)

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## LETTER FROM THE BOARD

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### WAI KEE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

*Executive Directors:*

Mr. Zen Wei Pao, William (*Chairman*)  
Mr. Zen Wei Peu, Derek (*Vice Chairman and  
Chief Executive Officer*)  
Miss Chiu Wai Yee, Anriena

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Directors:*

Mr. Cheng Chi Ming, Brian  
Mr. Ho Gilbert Chi Hang

*Principal place of business:*

Unit 1103, 11th Floor  
East Ocean Centre  
98 Granville Road  
Tsimshatsui  
Kowloon  
Hong Kong

*Independent Non-executive Directors:*

Dr. Wong Che Ming, Steve  
Mr. Wan Siu Kau, Samuel  
Mr. Wong Man Chung, Francis

23 December 2022

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION — PROPOSED FORMATION OF JOINT VENTURE THROUGH THE TRANSFER AND RK COMMITMENT**

#### **INTRODUCTION**

References are made to the joint announcement of Build King and Wai Kee dated 6 October 2022 in respect of the formation of a “joint venture” between Shine Precious and Wise Start in relation to the Project pursuant to the Investment Agreement and the supplemental joint announcement of Build King and Wai Kee dated 23 November 2022 in relation to the extension of the Long Stop Date. The Investment Agreement provides that (i) Shine Precious shall sell and assign, and Wise Start shall purchase and take assignment of, the Sale Shares and Sale Loans; (ii) Shine Precious shall provide the RK Commitment; and (iii) Wise Start shall have the Loan Redemption Right, upon the exercise of which Shine Precious may require certain Balancing Transactions to be effected.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further details of the Investment Agreement; (ii) a valuation report on the Site; (iii) accountants' report in respect of the Project Group; (iv) Unaudited Pro Forma Financial Information; (v) a notice of the WK SGM; and (vi) other information as required to be disclosed under the Listing Rules so as to enable you to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the WK SGM in relation to the Investment Agreement and the transactions contemplated thereunder.

### THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are set out below:

- Date** : 6 October 2022
- Parties** :
- (1) Shine Precious
  - (2) Wise Start
  - (3) Road King (as guarantor of the obligations of Shine Precious under the Investment Agreement and guarantor of the Redemption obligation of the Project Company)
  - (4) Build King (as guarantor of the obligations of Wise Start under the Investment Agreement)

Information on the parties is set out under "Reasons for and the benefits of the entering into the Investment Agreement" below.

- Consideration for Transfer** : The Consideration is HK\$800,015,700, of which HK\$15,700 is attributable to the Sale Shares (as Cost of Sale Shares) and HK\$800,000,000 is attributable to the Sale Loans. The Consideration is payable in cash on Completion.

The Consideration was arrived at after arm's length negotiations between the parties to the Investment Agreement. Build King took into account (i) the unaudited consolidated net deficit of the Project Company as at 31 August 2022 attributable to the Sale Shares; (ii) the nominal and paid up capital of the Sale Shares; (iii) the principal amount of the Sale Loans; (iv) no commercial value being attributable by an independent valuer to the Site as the Development Company has not yet obtained valid title of the Site or signed a land grant contract for the Project given that the Project is still in its resettlement and demolition phase; (v) the development plan of the Project (including its projected funding requirements) as described in "Information of the Project Group and the Project" below; and (vi) the intended 80:20 equity interests of the Road King Group and the Build King Group in the Project Company following Completion. The Build King Group intends to finance the payment of the Consideration from internal resources.



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## LETTER FROM THE BOARD

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**Conditions Precedent for Transfer** : The obligations of the parties to the Investment Agreement to proceed to Completion are conditional upon the following conditions being satisfied:

- (a) resolutions being passed by the Independent RK Shareholders in the RK SGM to approve the transactions contemplated under the Investment Agreement as required by the Listing Rules;
- (b) resolutions being passed by the Independent BK Shareholders in the BK SGM to approve the transactions contemplated under the Investment Agreement as required by the Listing Rules;
- (c) resolutions being passed by the shareholders of Wai Kee in the WK SGM to approve the transactions contemplated under the Investment Agreement as required by the Listing Rules; and
- (d) the delivery of a fairness opinion to the trustee(s) of the Bonds and Perpetual Securities to the extent required under their terms and conditions.

Under the terms of the Investment Agreement, none of the conditions precedent above can be waived. As at the Latest Practicable Date, none of the conditions precedent above have been satisfied.

**Completion of Transfer** : Completion is to take place on the third business day following the day on which the conditions precedent are fulfilled (or such later date as the parties may agree in writing).

**Business of the Project Company** : The development of the Project (including the demolition of buildings on the Site and the resettlement of owners of land and/or buildings on the Site), the sale of units on the Site and the management of the completed development and other activities that are wholly incidental thereto, unless otherwise agreed between the JV Parties.

**Funding of the Project Company and the RK Commitment** : The JV Parties agree that working capital requirements of the Project Company are to be met first, to the extent practicable, by way of external borrowings or financing to be sought from banks or financial institutions.

Shine Precious has agreed, subject to Completion taking place, to provide further shareholder loans to the Project Company, as the board of the Project Company may from time to time require for any of the following purposes:

- (a) to fund working capital of the Project Group;
- (b) to fund any Redemption; and/or
- (c) to ensure that shareholder loans outstanding immediately prior to any repayment of the same (except for the purpose of any Redemption) is proportionate to the then shareholding of the JV Parties in the Project Company.

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## LETTER FROM THE BOARD

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Such additional loans, when aggregated with all shareholder loans due to the Road King Group from the Project Company immediately following Completion, shall amount to the RK Commitment.

The RK Commitment was determined after arm's length negotiations between the parties with reference to the development plan of the Project (including its projected funding requirements) as described in "Information of the Project Group and the Project" below, the principal amount of Sale Loans and the amount of additional advances that Shine Precious would need to make so that the total amount of shareholder loans provided by the respective JV Parties will become proportionate to the shareholding of the JV Parties in the Project Company immediately following Completion.

**Loan Redemption Right** : Wise Start has the Loan Redemption Right to require the Project Company to repay (i) up to 50% of the principal amount of the Sale Loans due to Wise Start on the day immediately preceding the first anniversary of Completion; and (ii) up to the balance of shareholder loans due to Wise Start on 28 February 2025 (or if any of these two days is not a business day, the next following business day).

The Redemption Price is to be an amount calculated using the following formula:

$$P + [P/L \times (E - S) \times 20\%]$$

where

**P** = the principal amount of the Sale Loans being redeemed pursuant to the exercise of the Loan Redemption Right

**L** = the principal amount of the Sale Loans

**E** = the consolidated net asset value of the Project Company as at a date that falls within 3 calendar months prior to the date of the relevant redemption notice delivered in accordance with the terms of the Investment Agreement with the inventory of properties comprised in the Project marked to market value as at the same date. The "market value" of such properties shall be the amount specified in a valuation report issued by an independent property valuer for this purpose and includes, if valid title to the Site has not then been obtained by the Project Group, the indicative market value of such properties based on assumptions no more favourable than those adopted in the valuation report of the Site set out in the circular despatched by Road King to its shareholders, which is also set out in Appendix V to this circular;

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## LETTER FROM THE BOARD

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**S** = the consolidated net asset value of the Project Company as at 31 August 2022 as shown in the accountants report on the Project Company set out in the circular despatched by Build King to its shareholders, which is also set out in Appendix II to this circular,

provided, where  $(E - S)$  is an amount less than zero, then it shall be deemed to be zero.

The Redemption Price is to be payable within five business days after determination of the Redemption Price, subject to extension to such longer period as a JV Party may specify in writing to the other JV Party for the purpose of allowing Road King, Build King and/or Wai Kee a reasonable time to comply with the applicable requirements of the Listing Rules.

**Balancing Transactions** : At any time following a Redemption, Shine Precious shall effect the Balancing Transactions by (i) requiring Wise Start to transfer to Shine Precious some or all of its shares in the Project Company at Cost of Sale Shares attributable to each share; or (ii) (if Wise Start fails promptly (and in any event within five business days) to effect such transfer in accordance with the request of Shine Precious) requiring the Project Company to issue to Shine Precious additional shares at nominal value, in each case, such that Wise Start's shareholding interest in the Project Company is reduced to such proportion as the principal amount of Wise Start's shareholder loans then outstanding bears to HK\$4,000,000,000 (being the aggregate of the Sale Loans and RK Commitment).

**Investor rights** : For so long as (i) Wise Start's shareholder loans to the Project Company represents no less than 20% of the total amount of shareholder loans then outstanding; and (ii) Wise Start remains a subsidiary of Build King, amongst other things:

- (a) Wise Start shall be entitled to appoint and remove one director to the board of the Project Company (where such board will comprise no less than five directors); and
- (b) Wise Start will have customary information rights on the Project Group, and veto rights for changes to the share capital of or issue of shares by the Project Company (except for a Balancing Transaction), disposal of any interest in any member of the Project Group or the Project and/or any borrowings or encumbrances (except for any Subsisting Guarantees, any Project Financing and encumbrances granted in connection with such Project Financing and/or disposals in connection with the sale or pre-sale of units developed), any change of the business of the Project Company, its constitutional documents, liquidation of any member of the Project Group, and non-arm's length related party transactions.

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## LETTER FROM THE BOARD

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**Distribution and Proportionality of Shareholder Loans** : The Project Company shall not make any distribution by way of dividends or otherwise unless no shareholder loan remains outstanding. Unless otherwise agreed between the JV Parties and save to the extent of the RK Commitment, no advances shall be made other than by way of shareholder loans the principal amount of which shall be proportionate to the shareholding of the JV Parties in the Project Company.

**Transfer of shareholding interest** : Wise Start may not transfer any shares of the Project Company held by it without the consent of Shine Precious.

In addition, any transfer of shares in the Project Company by a JV Party will be subject to the right of first refusal of the other JV Party, and customary tag-along and drag along rights. Any such transfers will be subject to the compliance with Listing Rules applicable at the time to Road King, Wai Kee and/or Build King (as the case may be).

**Termination** : Prior to Completion, (i) if any of the conditions precedent are not fulfilled by a JV Party on or before the Long Stop Date, the Investment Agreement will terminate at the end of that day; or (ii) if any JV Party fails to comply with its Completion obligations, or if there is a material breach by a JV Party of the representations and warranties given in the Investment Agreement, the other JV Party may, by notice in writing to such JV Party, terminate the Investment Agreement.

Following Completion, if a JV Party is liquidated, dissolved, becomes bankrupt or insolvent, enters into any composition, reconstruction or arrangement with its creditors in respect of a significant proportion of its assets, is in material breach of its obligations under the Investment Agreement, or (in the case of Shine Precious only) the Subsisting Guarantees are enforced against the Project Group, the other JV Party may terminate the Investment Agreement by giving 30 days' written notice. In addition, the non-defaulting JV Party has the right to:

- (a) (if Wise Start is in default) Shine Precious may require Wise Start to sell its shares in the Project Company and to assign its shareholder loans in the Project Company to Shine Precious at the Cost of Sale Shares attributable to the relevant shares held by Wise Start and the principal amount of the shareholder loans due from the Project Company to Wise Start at the relevant time; or
- (b) (if Shine Precious is in default) Wise Start may require Shine Precious to buy Wise Start's shares in the Project Company and to assign its shareholder loans to Shine Precious at the Cost of Sale Shares and Redemption Price attributable to those shares and shareholder loans at the relevant time.

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## LETTER FROM THE BOARD

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Any such transfers will be subject to the compliance with Listing Rules applicable at the time to Road King, Wai Kee and/or Build King (as the case may be).

The Investment Agreement will also terminate on the date when either JV Party ceases to hold any shares of the Project Company, or if a resolution is passed to wind up the Project Company or a liquidator is otherwise appointed.

Upon termination of the Investment Agreement, no JV Party will have any obligation towards the other save for antecedent breaches and (in the case of a termination after Completion) the rights of the parties in relation to the sale and purchase of shares and shareholder loan described above.

### INFORMATION OF THE PROJECT GROUP AND THE PROJECT

The Project Company is an investment holding company incorporated in the British Virgin Islands. Through its wholly-owned subsidiaries, it wholly-owns the Development Company which is the developer of the Project and is the 100% holding company of the Management Company.

The Development Company was established to engage in the development of the Site. It received planning approval for its resettlement and development project from the Shenzhen Urban Planning and Land Resources Committee in 2011. Its registered capital is RMB50 million, all of which has been fully paid up. The Road King Group acquired the Development Company in stages since April 2014. The Development Company was accounted for as a wholly-owned subsidiary of Road King since 2019. The sellers of the Development Company were independent third parties that are not connected persons of Wai Kee or Build King. The original acquisition cost of the Development Company to the Road King Group was RMB550 million. Each acquisition price was determined after arms' length negotiations with the sellers. The Road King Group agreed its acquisition price based on its internal valuation and assessment of the total investment and development cost of such project, projected development timeline and sales price, in line with usual practice for its investments in property development projects. The Management Company was established for and its current business is the management of the current residential development (to be demolished) on the Site. Save for the Development Company and the Management Company, other members of the Project Group are investment holding companies.

The Project is an urban renewal project referred to as Haitao Garden at the Site located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the PRC and was built in the 1980s. It involves the demolition and resettlement of a total of 58 residential buildings with some commercial facilities, covering a development site area of 44,339.4 sq. m. (with planned gross floor area of 242,980 sq. m.), and the re-development of the Site thereafter. Under the current development plan, subject to the relevant regulatory approvals being obtained, the Project entails a new property development project that has 223,780 sq.m. gross floor area for residential use, 12,600 sq. m. gross floor area for commercial use and 6,600 sq. m. gross floor area for ancillary public facilities.

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## LETTER FROM THE BOARD

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As at 15 August 2022 and as at the Latest Practicable Date, the Development Company has entered into contracts with well over 95% of the 1,282 owners on the Site covering over 95% of the gross floor area for resettlement purposes. This entitles the Development Company to local district government-assisted mediation of resettlement terms with the remaining owners or, failing which, the exercise of resumption rights by the local government and on-sale of resumption properties to the Development Company. After the Development Company has acquired the property interests of all the owners of the existing properties on the Site (subject to its urban renewal proposal remaining valid, the renewal project remaining part of the Shenzhen Municipal Bureau of Urban Planning and Land Resources' development plan and all materials required for qualification as the developer have been submitted to the relevant governmental authorities), it can then apply to become the developer of the Project (實施主體). Following the demolition of the existing buildings on the Site and the cancellation of the property registration of those buildings, the developer of the Project can then formally apply for the relevant planning and construction approvals for the Project and enter into land use rights grant contract with the relevant state-owned land authority in which the land premium payable for proposed development (including the increase in plot ratio) will be specified. Pursuant to the applicable PRC laws, once the land use rights grant contract has been entered into with the competent land administration department and the land premium and deed tax have been paid in accordance with the requirements thereunder, there is no material legal impediment for the developer of the Project to obtain the land use rights to the Site. As such, as at the Latest Practicable Date, the Directors did not foresee any major obstacles for the Development Company to successfully become the developer of the Project and obtain the land use rights to the Site, which the Directors note is a view shared by the directors of Road King.

Given (i) the nature and progress of the Project (including the fact that the Project Company has contracts to acquire over 95% of the gross floor area from over 95% of the owners on the Site); (ii) the likelihood of the Development Company becoming the developer of the Project; (iii) the fact that the Project Company does not have land use right certificates for the Site is due only to the stage of the resettlement project as described above, (iv) the depth of experience and track record of the Road King Group in property development in the PRC; and (v) the indicative valuation of the Site set out in note 4 to the valuation report set out in Appendix V to this circular, and (vi) the recovery of the Sale Loans is effectively backed up by the Loan Redemption Right which is guaranteed by Road King (which had, as at 30 June 2022, consolidated net assets exceeding HK\$34,800 million), i.e. the Wai Kee Group is not relying only on the credit risk of the Project Company for the recoverability of the Sale Loans, the Directors are of the view that the Transfer is fair and reasonable and in the interest of Wai Kee and its shareholders as a whole.

The Project Group plans to commence demolition and construction works by the end of 2023 and pre-sales of the residential Project units in 2025. The Project Group is not entitled to any compensation for the demolition of the existing buildings and the resettlement of the owners on the Site.

The Site is well located with seafront at its South-eastern side and park facilities across the street at the Western boundary of the Site. The Site is within walking distance from a shopping centre, five star hotel, retail shops, schools and hospitals, and the Sha Tau Kok border crossing between mainland China and Hong Kong. It also has access to the public transportation network such as buses and subway to the central business districts in Shenzhen, Luohu and Hong Kong. Other urban renewal projects in the vicinity are also expected to contribute to the gentrification and attractiveness of this area and the population of this area is expected to increase.

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## LETTER FROM THE BOARD

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The audited consolidated net profit (loss) of the Project Group before and after taxation for each of the years ended 31 December 2020 and 2021 and the eight months ended 31 August 2022 extracted from the accountants' report of the Project Group set out in Appendix II to this circular were as follows:

	For the year ended 31 December		For the eight months ended
	2020	2021	31 August 2022
	HK\$ million	HK\$ million	HK\$ million
Net profit (loss) before taxation	(4.6)	(3.1)	0.4
Net profit (loss) after taxation <sup>1</sup>	(4.6)	(0.7)	0.4

*Note 1:* The reduced losses in the year ended 31 December 2021 and the net profit recorded in the eight months ended 31 August 2022 were mainly attributable to interest income receivable on funds advanced by the Development Company to owners of existing properties on the Site in order to secure the release of mortgages of those properties, to facilitate completion of the transfer of those properties to the Development Company in the year ended 31 December 2021 and the eight months ended 31 August 2022, respectively.

The audited consolidated net deficit of the Project Company as at 31 August 2022 extracted from the accountants' report of the Project Group set out in Appendix II to this circular was approximately HK\$8.6 million and the Site is booked at cost. Please refer to the valuation report set out in Appendix V to this circular for further information on the valuation of the Site. As at 31 August 2022, the Road King Group has advanced shareholder loan in the principal amount of approximately HK\$2,134 million to the Project Group. To fund completion of re-settlement and demolition works and subsequent development works, the Road King Group has budgetted total financing for the Project Group (inclusive of external financing) of approximately HK\$4,500 million and HK\$5,900 million up to the end of December 2023 and February 2025, respectively.

### REASONS FOR AND THE BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT

Wai Kee is an investment holding company and the principal activities of its group companies include property development and investment, toll road, investment and asset management, construction, sewage treatment and steam fuel, construction materials and quarrying.

Build King is an investment holding company and its group companies are principally engaged in the undertaking of construction projects in Hong Kong and the PRC and are also engaged in environmental and waste management and marine engineering. Wise Start is principally engaged in investment holding.

Road King is an investment holding company and the Road King Group is principally engaged in property development and investment in the PRC and Hong Kong, with a focus on residential developments, investment and asset management businesses, and development, operation and management of toll roads through infrastructure joint ventures in the PRC and Indonesia. Shine Precious is principally engaged in investment holding.

The Wai Kee Group's investment (through the Build King Group) under the terms of the Investment Agreement provides the Wai Kee Group an opportunity to generate returns to shareholders by expanding its project investment portfolio to include the Project, in addition to its indirect return as controlling shareholder of Road King.

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## LETTER FROM THE BOARD

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The Project is well located in an area for residential development in the vicinity of schools, hospital and commercial complexes and reasonably accessible to Shenzhen and Hong Kong. The terms of the Investment Agreement allow the Wai Kee Group the flexibility of managing its investment portfolio to optimize its mix at the end of the first year and shortly after the second year of its investment through the Redemption if Wise Start elects to exercise its Loan Redemption Rights. The Balancing Transactions ensure that proportionality between the JV Parties' shareholding and shareholder loans (including the RK Commitment) can be maintained after any redemption of the Sale Loans pursuant to an exercise of Loan Redemption Right.

Following Completion, the Wai Kee Group's equity interest in the Project Company will be accounted for as interest in an associate using the equity method and its shareholder loan interest and interest under the Loan Redemption Right will be accounted for as financial assets at fair value through profit or loss in the consolidated financial statements of the Wai Kee Group. As shown in the Unaudited Pro Forma Financial Information, the investment (after taking into account transaction related expenses) is not expected to have any significant impact on the total assets and total liabilities of the Enlarged Group. Such Unaudited Pro Forma Financial Information has been prepared on the conservative assumption that the Build King Group expects to exercise the Loan Redemption Right on the first anniversary of Completion. In this connection, the Board will, after Completion, review from time to time, Build King's views based on the Build King Group's working capital requirements for existing and new projects, and the progress of the Project, to determine whether or not it is appropriate and in the interests of Wai Kee and its shareholders as a whole for Build King's Group to exercise such Loan Redemption Right.

Mr. Zen Wei Peu, Derek is the vice chairman of the Board, chief executive officer, an executive director and a controlling shareholder of Wai Kee, and the chairman of the board of directors, chief executive officer, managing director and a shareholder of Build King. Mr. Zen Wei Peu, Derek is also the chairman of the board of directors, an executive director and a shareholder of Road King. Accordingly, Mr. Zen Wei Peu, Derek has abstained from voting on the board resolutions of Wai Kee approving the terms of the Investment Agreement.

### **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios in respect of the formation of the "joint venture" with respect to the Project through the Transfer and the RK Commitment are more than 25% but less than 100% for Wai Kee, the formation of the "joint venture" contemplated under the Investment Agreement constitutes a major transaction for Wai Kee and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14.

Build King will, prior to any exercise of its Loan Redemption Right, comply with the requirements of Chapter 14A of the Listing Rules in relation to the Balancing Transactions arising from such exercise to which Rule 14A.79 of the Listing Rules applies. The Board has resolved that Build King may (subject to its compliance with the requirements of the Listing Rules) exercise the Loan Redemption Rights should the aggregate fair value of the Sale Shares not exceed HK\$400 million. As none of the applicable percentage ratios in respect of the Balancing Transactions upon the exercise of the Loan Redemption Right in full subject to the limit described above exceeds 25%, the future exercise of Loan Redemption Rights by Build King will constitute a discloseable transaction of Wai Kee which is subject only to reporting and announcement requirements under Chapter 14 of the Listing Rules. In addition, Wai Kee will make an appropriate announcement as required under Rule 14.77 of the Listing Rules following the exercise by Wise Start of the Loan Redemption Right.



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## LETTER FROM THE BOARD

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### THE WK SGM AND REGISTER OF MEMBERS

The WK SGM will be held on 13 January 2023 for the purposes of providing the Shareholders with an opportunity to consider and, if thought fit, approving the Investment Agreement and the transactions contemplated thereunder. As required under the Listing Rules, votes at the WK SGM will be taken by way of a poll.

The register of members of Wai Kee will be closed from Thursday, 12 January 2023 to Friday, 13 January 2023, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending the WK SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with Wai Kee's branch share registrar in Hong Kong, Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than Wednesday, 11 January 2023 at 4:00 p.m.

A form of proxy for use at the WK SGM is enclosed. Whether or not you are able to attend and vote at the WK SGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Wai Kee's branch share registrar in Hong Kong, Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the WK SGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude you from attending and voting in person at the WK SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The notice of the WK SGM is set out on pages SGM-1 to SGM-2 of this circular. As Mr. Zen Wei Peu, Derek holds, as at the Latest Practicable Date, 23,649,000 shares of Road King (being approximately 3.16% of Road King's shares in issue), 249,424,078 Shares (being approximately 31.45% of the Shares in issue) and 123,725,228 shares of Build King (being approximately 9.96% of Build King's shares in issue), he will also abstain from voting at the WK SGM on the resolution to approve the transactions contemplated under the Investment Agreement pursuant to Rule 2.15 of the Listing Rule.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular.

### RECOMMENDATION

Having considered the reasons set out herein, the Directors (including the Independent Non-executive Directors) are of the view that the terms of the Investment Agreement (including but not limited to the terms of the Transfer, RK Commitment, Loan Redemption Right and Balancing Transactions) are on normal commercial terms, and such terms are fair and reasonable and in the interests of Wai Kee and its Shareholders as a whole. As such, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the WK SGM.

Yours faithfully,  
For and on behalf of the Board  
**William Zen Wei Pao**  
*Chairman*

**1. FINANCIAL INFORMATION OF THE WAI KEE GROUP**

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Wai Kee Group for the years ended 31 December 2019, 2020 and 2021 and the unaudited consolidated financial information, together with the accompanying notes to the financial statements, of the Wai Kee Group for the six months ended 30 June 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and Wai Kee ([www.waikee.com](http://www.waikee.com)):

- (i) Annual report for the year ended 31 December 2019 (pages 66 to 194):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0416/2020041601109.pdf>

- (ii) Annual report for the year ended 31 December 2020 (pages 72 to 194):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200103.pdf>

- (iii) Annual report for the year ended 31 December 2021 (pages 76 to 202):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042101183.pdf>

- (iv) Interim report for the six months ended 30 June 2022 (pages 18 to 43):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0915/2022091500620.pdf>

**2. FINANCIAL AND TRADING PROSPECT OF THE WAI KEE GROUP**

As more mega projects have been rolled out by Government, the construction division is expected to benefit in the short and medium term. With the contracts on hand in the construction division, it is cautiously optimistic about its performance in the near future.

The outlook for the construction materials division, on the other hand, is less promising due to aggressive competition as some new concrete batching plants have been set up by another leading concrete supplier, which is expected to drag down the concrete price.

With the site formation works approaching an advanced stage, the production and sales volume of the quarrying division will depend on the volume of rock imported to Lam Tei Quarry. A fruitful result was achieved after lengthy discussion with the Government to explore the possibility of continuing the operations in Lam Tei Quarry. The Government has granted the extension rights of operation at Lam Tei Quarry to December 2025 and a supplementary agreement was signed in October 2022.

In respect of other investments made by the Wai Kee Group, it will closely monitor their performance and review its investment strategy periodically. The Wai Kee Group continues to actively to explore co-investment opportunities with Road King that will create synergy for the sustainable growth of the Wai Kee Group as a whole.

**3. INDEBTEDNESS OF THE WAI KEE GROUP**

At the close of business on 31 October 2022, being the latest practicable date prior to the printing of this circular, the Wai Kee Group had the following indebtedness:

- (a) Unsecured and unguaranteed bank loans of approximately HK\$110 million;
- (b) Unsecured bank loans of approximately HK\$1,329.8 million and bank loans of approximately HK\$76.5 million which were secured by pledged deposits and bank loan of approximately HK\$48.9 million which was secured by wastewater treatment charging rights of the Wai Kee Group were either guaranteed by Wai Kee and/or Wai Kee's subsidiaries;
- (c) Unsecured and unguaranteed other creditors of approximately HK\$30.4 million;
- (d) Unsecured and unguaranteed amounts due to associates of approximately HK\$23.8 million;
- (e) Unsecured and unguaranteed amounts due to other partners of joint operations of approximately HK\$10.4 million;
- (f) Unsecured and unguaranteed amounts due to non-controlling shareholders of approximately HK\$1.4 million;
- (g) Unsecured and unguaranteed bonds of approximately HK\$126.3 million;
- (h) Unsecured and unguaranteed lease liabilities of approximately HK\$70.6 million;
- (i) Unguaranteed lease liabilities of approximately HK\$61.4 million were secured by rental deposits of approximately HK\$8.6 million;
- (j) Charge of bank deposits of approximately HK\$37.3 million were pledged for issuing the banking facilities granted to the Wai Kee Group; and
- (k) Quoted debt securities of approximately HK\$481.6 million were pledged for securing the banking facilities granted to the Wai Kee Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Wai Kee Group did not have any other debt securities issued or outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchases commitments, mortgages, charges, guarantees or other material contingent liabilities as at 31 October 2022.

**4. EFFECT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE WAI KEE GROUP**

Following Completion, Wai Kee Group's equity interest in the Project Company will be accounted for as interest in an associate using the equity method and its shareholder loan interest and interest under the Loan Redemption Right will be accounted for as financial assets at fair value through profit or loss in the consolidated financial statement of Wai Kee Group. The Unaudited Pro Forma Financial Information has been prepared to illustrate the financial effect of the transactions contemplated under the Investment Agreement.

As at 30 June 2022, the Wai Kee Group had unaudited total assets, total liabilities and net assets of approximately HK\$17,658 million, HK\$6,398 million and HK\$11,260 million, respectively. According to the Unaudited Pro Forma Financial Information, upon Completion, the total assets and net assets of the Enlarged Group would have decreased to approximately HK\$17,652 million and approximately HK\$11,254 million, respectively, which was mainly due to the estimated professional costs and expenses associated with the proposed transaction that would have been incurred. The total liabilities of the Enlarged Group would have remained unchanged.

**5. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS**

Save for the Transfer, since 31 December 2021, being the date to which the latest published audited accounts of the Wai Kee Group have been made up, no member of the Wai Kee Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of the Wai Kee Group.

The aggregate of the remuneration payable to and benefits in kind received by the Directors will not be varied in consequence of the Transfer.

**6. WORKING CAPITAL OF THE WAI KEE GROUP**

Taking into account the financial resources available to the Wai Kee Group, including internally generated funds, available facilities of the Wai Kee Group and the effect of the transactions contemplated under the Investment Agreement, the Directors, after due and careful enquiry, are of the opinion that the Wai Kee Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of any unforeseen circumstances.

*The following is the text of a report received from Wai Kee's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

**Deloitte.****德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF  
RAINBOW TRIUMPH LIMITED AND ITS SUBSIDIARIES****TO THE DIRECTORS OF WAI KEE HOLDINGS LIMITED****Introduction**

We report on the historical financial information of Rainbow Triumph Limited (the "Project Company") and its subsidiaries (together, the "Project Group") set out on pages II-5 to II-51, which comprises the consolidated statements of financial position of the Project Group as at 31 December 2019, 2020 and 2021 and 31 August 2022, the statements of financial position of the Project Company as at 31 December 2020 and 2021 and 31 August 2022, and the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Project Group for each of the three years ended 31 December 2021 and the eight months ended 31 August 2022 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-5 to II-51 forms an integral part of this report, which has been prepared for inclusion in the circular of Wai Kee Holdings Limited (the "Company") dated 23 December 2022 (the "Circular") in connection with the major transaction — proposed formation of joint venture through the transfer and RK commitment (as defined in the Circular).

**Directors' responsibility for the Historical Financial Information**

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

The directors of the Project Company are responsible for the contents of this Circular in which the Historical Financial Information of the Project Group is included, and such information is prepared based on accounting policies materially consistent with those of the Project Company.

**Reporting accountants' responsibility**

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Project Company, as well as evaluating the overall presentation of the Historical 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 Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Project Group's financial position as at 31 December 2019, 2020 and 2021 and 31 August 2022, of the Project Company's financial position as at 31 December 2020 and 2021 and 31 August 2022 and of the Project Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Project Group which comprises the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended 31 August 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Project Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

*Dividends*

We refer to Note 11 to the Historical Financial Information which states that no dividend was declared or paid by the Project Company or its subsidiaries since their dates of incorporation.

*No historical financial statements for the Project Company*

No financial statements have been prepared for the Project Company since its date of incorporation.

**Deloitte Touche Tohmatsu***Certified Public Accountants*

Hong Kong

23 December 2022

**HISTORICAL FINANCIAL INFORMATION OF THE PROJECT GROUP****Preparation of Historical Financial Information**

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

The consolidated financial statements of the Project Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.



## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	NOTES	Year ended 31 December			Eight months ended 31 August	
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000	2022 HK\$'000
Revenue	5	758	143	5	5	—
Cost of services		<u>(3,527)</u>	<u>(3,342)</u>	<u>(3,293)</u>	<u>(2,364)</u>	<u>(1,451)</u>
Gross loss		(2,769)	(3,199)	(3,288)	(2,359)	(1,451)
Interest income		102	151	2,797	1,106	3,821
Other income		144	120	165	83	131
Administrative expenses		(1,057)	(1,643)	(2,648)	(2,066)	(2,012)
Finance costs	7	<u>(31)</u>	<u>(24)</u>	<u>(121)</u>	<u>(87)</u>	<u>(48)</u>
<b>(Loss) profit before taxation</b>	8	(3,611)	(4,595)	(3,095)	(3,323)	441
Income tax credit	9	<u>—</u>	<u>—</u>	<u>2,351</u>	<u>2,569</u>	<u>—</u>
(Loss) profit for the year/period		<u>(3,611)</u>	<u>(4,595)</u>	<u>(744)</u>	<u>(754)</u>	<u>441</u>
(Loss) profit for the year/period attributable to:						
Owners of the Project Company		<u>(3,611)</u>	<u>(4,595)</u>	<u>(744)</u>	<u>(754)</u>	<u>441</u>

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Eight months ended	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
<b>(Loss) profit for the year/period</b>	(3,611)	(4,595)	(744)	(754)	441
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation to presentation currency	62	16,474	(17,121)	(17,058)	171
<b>Other comprehensive income (expense) for the year/period</b>	62	16,474	(17,121)	(17,058)	171
<b>Total comprehensive (expense) income for the year/period</b>	(3,549)	11,879	(17,865)	(17,812)	612
Total comprehensive (expense) income for the year/period attributable to:					
Owners of the Project Company	(3,549)	11,879	(17,865)	(17,812)	612

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December			As at
		2019	2020	2021	31 August
		HK\$'000	HK\$'000	HK\$'000	2022
					HK\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Equipment		58	48	458	332
Right-of-use assets	13	252	1,974	1,460	820
Loan receivables	14	—	—	119,093	113,568
Deferred tax assets	15	—	—	2,394	2,349
		<u>310</u>	<u>2,022</u>	<u>123,405</u>	<u>117,069</u>
<b>Current assets</b>					
Inventory of properties	16	1,747,817	2,395,420	2,947,259	3,117,054
Debtors, deposits and prepayments	17	8,690	7,603	7,505	4,010
Amounts due from related parties	18	119,656	126,218	129,115	678
Loan receivables	14	—	—	8,086	12,526
Bank balances and cash	19	112,993	111,833	108,741	58,393
		<u>1,989,156</u>	<u>2,641,074</u>	<u>3,200,706</u>	<u>3,192,661</u>
<b>Total assets</b>		<u><u>1,989,466</u></u>	<u><u>2,643,096</u></u>	<u><u>3,324,111</u></u>	<u><u>3,309,730</u></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Project Company</b>					
Share capital	23	—*	—*	—*	78
Reserves		<u>320,704</u>	<u>332,583</u>	<u>(9,305)</u>	<u>(8,693)</u>
<b>Total equity</b>		<u>320,704</u>	<u>332,583</u>	<u>(9,305)</u>	<u>(8,615)</u>
<b>Non-current liabilities</b>					
Bank borrowings	22	766,199	1,057,169	1,053,880	930,553
Lease liabilities	21	—	1,319	577	—
		<u>766,199</u>	<u>1,058,488</u>	<u>1,054,457</u>	<u>930,553</u>
<b>Current liabilities</b>					
Creditors and accrued charges	20	578	1,007	1,735	6,054
Amounts due to related parties	18	901,701	1,250,288	2,010,299	2,134,303
Lease liabilities	21	284	730	990	897
Bank borrowings	22	—	—	265,935	246,538
		<u>902,563</u>	<u>1,252,025</u>	<u>2,278,959</u>	<u>2,387,792</u>
<b>Total equity and liabilities</b>		<u><u>1,989,466</u></u>	<u><u>2,643,096</u></u>	<u><u>3,324,111</u></u>	<u><u>3,309,730</u></u>

\* Less than HK\$1,000

## STATEMENTS OF FINANCIAL POSITION OF THE PROJECT COMPANY

		As at 31 December		As at
	NOTES	2020	2021	31 August
		HK\$'000	HK\$'000	2022
				HK\$'000
<b>ASSETS</b>				
<b>Non-current asset</b>				
Interest in a subsidiary		—*	—*	—*
<b>Current asset</b>				
Amount due from a related party	18	—*	—*	78
<b>Total assets</b>		<u>—*</u>	<u>—*</u>	<u>78</u>
<b>EQUITY AND LIABILITY</b>				
<b>Equity attributable to owners of the Project Company</b>				
Share capital	23	—*	—*	78
Reserves		—*	—*	—*
<b>Total equity</b>		<u>—*</u>	<u>—*</u>	<u>78</u>
<b>Current liability</b>				
Amount due to a related party	18	—*	—*	—*
<b>Total liability and equity</b>		<u>—*</u>	<u>—*</u>	<u>78</u>

\* Less than HK\$1,000

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Project Company						Non-controlling interests of subsidiaries HK\$'000	Total equity HK\$'000
	Share capital	Foreign currency translation reserve	Capital reserve	Retained profits (accumulated losses)	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
<b>At 1 January 2019</b>	—	6	78,510	224	78,740	(10,043)	68,697	
Loss for the year	—	—	—	(3,611)	(3,611)	—	(3,611)	
Exchange differences arising on translation to presentation currency	—	62	—	—	62	—	62	
Acquisition of additional interests from a non-controlling shareholder of a subsidiary (note (a))	—	—	245,513	—	245,513	10,043	255,556	
<b>At 31 December 2019</b>	—	68	324,023	(3,387)	320,704	—	320,704	
Loss for the year	—	—	—	(4,595)	(4,595)	—	(4,595)	
Exchange differences arising on translation to presentation currency	—	16,474	—	—	16,474	—	16,474	
<b>At 31 December 2020</b>	—	16,542	324,023	(7,982)	332,583	—	332,583	
Loss for the year	—	—	—	(744)	(744)	—	(744)	
Exchange differences arising on translation to presentation currency	—	(17,121)	—	—	(17,121)	—	(17,121)	
Transfer upon group reorganisation (note (b))	—	—	(324,023)	—	(324,023)	—	(324,023)	
<b>At 31 December 2021</b>	—	(579)	—	(8,726)	(9,305)	—	(9,305)	
Issue of ordinary shares (Note 23)	78	—	—	—	78	—	78	
Profit for the period	—	—	—	441	441	—	441	
Exchange differences arising on translation to presentation currency	—	171	—	—	171	—	171	
<b>At 31 August 2022</b>	78	(408)	—	(8,285)	(8,615)	—	(8,615)	
<b>At 1 January 2021</b>	—	16,542	324,023	(7,982)	332,583	—	332,583	
Issue of ordinary shares (Note 23)	—*	—	—	—	—*	—	—*	
Loss for the period	—	—	—	(754)	(754)	—	(754)	
Exchange differences arising on translation to presentation currency	—	(17,058)	—	—	(17,058)	—	(17,058)	
Transfer upon group reorganisation (note (b))	—	—	(324,023)	—	(324,023)	—	(324,023)	
<b>At 31 August 2021 (unaudited)</b>	—	(516)	—	(8,736)	(9,252)	—	(9,252)	

\* Less than HK\$1,000

## Notes:

a: In 2019, the remaining 20% of the issued share capital in Yingfeng Investment (as defined in Note 2) was acquired from a non-controlling shareholder at a consideration of RMB230,000,000 (equivalent to approximately HK\$255,556,000). This consideration was paid by a fellow subsidiary under common control of Road King (as defined in Note 2).

b: Details of the group reorganisation are set out in Note 2.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Eight months ended	
	2019	2020	2021	31 August	
	HK\$'000	HK\$'000	HK\$'000	2021	2022
			HK\$'000	HK\$'000	
				<i>(Unaudited)</i>	
<b>OPERATING ACTIVITIES</b>					
(Loss) profit before taxation	(3,611)	(4,595)	(3,095)	(3,323)	441
Adjustments for:					
Depreciation	574	372	907	597	620
Net losses on written-off of equipment	—	—	3	3	—
Interest income	(102)	(151)	(2,797)	(1,106)	(3,821)
Finance costs	31	24	121	87	48
	<u>(3,108)</u>	<u>(4,350)</u>	<u>(4,861)</u>	<u>(3,742)</u>	<u>(2,712)</u>
Operating cash flow before movements in working capital	(3,108)	(4,350)	(4,861)	(3,742)	(2,712)
Decrease (increase) in debtors, deposits and prepayments	12,729	1,533	337	(847)	3,353
Increase in inventory of properties	(599,635)	(501,147)	(392,848)	(272,317)	(162,917)
(Decrease) increase in creditors and accrued charges	<u>(3,122)</u>	<u>399</u>	<u>697</u>	<u>17</u>	<u>4,351</u>
	<u>(593,136)</u>	<u>(503,565)</u>	<u>(396,675)</u>	<u>(276,889)</u>	<u>(157,925)</u>
Cash used in operations	(593,136)	(503,565)	(396,675)	(276,889)	(157,925)
Income tax paid	—	—	—	—	—
	<u>(593,136)</u>	<u>(503,565)</u>	<u>(396,675)</u>	<u>(276,889)</u>	<u>(157,925)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>					
	<u>(593,136)</u>	<u>(503,565)</u>	<u>(396,675)</u>	<u>(276,889)</u>	<u>(157,925)</u>
<b>INVESTING ACTIVITIES</b>					
Interest received	102	151	2,591	1,080	3,373
Purchases of equipment	—	(44)	(592)	(552)	(28)
Additions of loan receivables	—	—	(132,210)	(110,551)	(8,062)
Repayment of loan receivables	—	—	5,284	1,960	7,146
Advance to related parties	(8,335)	(412)	(18,702)	(18,562)	—
Repayment from related parties	<u>20,227</u>	<u>—</u>	<u>19,759</u>	<u>7,656</u>	<u>125,994</u>
	<u>11,994</u>	<u>(305)</u>	<u>(123,870)</u>	<u>(118,969)</u>	<u>128,423</u>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>					
	<u>11,994</u>	<u>(305)</u>	<u>(123,870)</u>	<u>(118,969)</u>	<u>128,423</u>



**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL INFORMATION**

Rainbow Triumph Limited (the “Project Company”) was incorporated in the British Virgin Islands (the “BVI”) with limited liability on 11 November 2020. Its registered office and principal place of business are located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI. The Project Company acts as an investment holding company and its subsidiaries (collectively referred to as the “Project Group”) are principally engaged in property development and property management in the People’s Republic of China (the “PRC”).

Upon completion of the Reorganisation (as set out in Note 2), immediate holding company of the Project Company is Shine Precious Limited (“Shine Precious”), which is incorporated in the BVI with limited liability and ultimate holding company of the Project Company is Road King Infrastructure Limited (“Road King”), which is incorporated in Bermuda as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Historical Financial Information of the Project Group is presented in Hong Kong dollar (“HK\$”), which is different from the Project Company’s functional currency of Renminbi (“RMB”). The directors of the Project Company adopted HK\$ as presentation currency of the Historical Financial Information of the Project Group for the convenience of the financial statements users because shares of Wai Kee Holdings Limited (“Wai Kee”) and Road King are listed on the Stock Exchange.

**2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs and the principle of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

No statutory financial statements of the Project Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirement.

Prior to the group reorganisation as described below, Shenzhen Shengshi Yingfeng Investment Development Co., Ltd. (“Yingfeng Investment”) (深圳市盛世盈豐投資發展有限公司) and its wholly-owned subsidiary Shenzhen Shengshi Yingfeng Property Management Co., Ltd. (“Yingfeng Property Management”) (深圳市盛世盈豐物業管理有限公司) were directly and indirectly wholly-owned by Shenzhen Lujin Junyu Investment Development Co., Ltd. (“Shenzhen Lujin Junyu”) (深圳市路勁雋御投資發展有限公司). Yingfeng Investment, Yingfeng Property Management and Shenzhen Lujin Junyu are limited liability companies established in the PRC.



In preparation of the acquisition of 20% of the issued shares of the Project Company by Build King Holdings Limited, the companies now comprising the Project Group underwent the group reorganisation (the “Reorganisation”) as below:

1. On 1 December 2020, Jovial Elite Group Limited (“Jovial Elite”) was incorporated in the BVI as a company limited by shares, which was authorised to issue 50,000 shares with a par value of US\$1 each. On 13 January 2021, Jovial Elite issued 1 ordinary share to the Project Company at par, pursuant to which Jovial Elite became a direct wholly-owned subsidiary of the Project Company.
2. On 23 March 2021, Shanghai Meixi Enterprise Management Co., Ltd. (“Shanghai Meixi”) (上海美晞企業管理有限公司) was established as a wholly foreign-owned enterprise in the PRC with limited liability. Shanghai Meixi has a registered capital of RMB300,000,000 and its sole shareholder is Jovial Elite. Shanghai Meixi was established to principally serve as an intermediate holding company.
3. On 22 April 2021, Shenzhen Lujin Junyu transferred all shares in Yingfeng Investment to Shanghai Meixi at a consideration of RMB300,000,000. Yingfeng Investment became a direct wholly-owned subsidiary of Shanghai Meixi. Accordingly, the Reorganisation was completed.
4. On 31 December 2021, Shenzhen Junyue Investment Development Co., Ltd. (“Shenzhen Junyue”) (深圳市雋越投資發展有限公司) was established in the PRC with limited liability. Shenzhen Junyue has a registered capital of RMB20,000,000 and its sole shareholder is Shanghai Meixi.
5. On 24 January 2022, Shanghai Meixi transferred all shares in Yingfeng Investment to Shenzhen Junyue at a consideration of RMB300,000,000. Shenzhen Junyue and Yingfeng Investment became a direct and an indirect wholly-owned subsidiary of Shanghai Meixi respectively.

Upon completion of the Reorganisation as stated in step 1 to 3 above, the Project Company became the holding company of the companies now comprising the Project Group since 22 April 2021. They were under common control of Road King before and after the Reorganisation. Accordingly, the consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years ended 31 December 2021 include the results, changes in equity and cash flows of the companies now comprising the Project Group as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of financial position of the Project Group as at 31 December 2019 and 2020 have been prepared to present the assets and liabilities of the companies now comprising the Project Group as if the Reorganisation had been completed at the beginning of the Relevant Periods.

\* English name is for identification purpose only.

In preparation of the Historical Financial Information, the directors of the Project Company have given due and careful consideration to the future liquidity of the Project Group in light of the Project Group's net liabilities of HK\$9,305,000 and HK\$8,615,000 as at 31 December 2021 and 31 August 2022, respectively. In the opinion of the directors of the Project Company, the Historical Financial Information has been prepared on a going concern basis as the Project Company's ultimate holding company, Road King, has agreed to provide adequate funds to enable the Project Group to meet in full its financial obligations as they fall due in the foreseeable future.

### 3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Project Group has consistently applied the accounting policies which conform with HKFRSs and they are effective for the Project Group's accounting period beginning on 1 January 2022 throughout the Relevant Periods.

#### **New and revised HKFRSs in issue but not yet effective**

The Project Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

The directors of the Project Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the Project Group's financial position and financial performance in the foreseeable future.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA and the principal of merger accounting under Accounting Guideline 5 “Merge Accounting for Common Control Combinations” issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Project Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

##### **Basis of consolidation**

The Historical Financial Information incorporate the financial statements of the Project Company and entities controlled by the Project Company and its subsidiaries. Control is achieved when the Project Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Project Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Project Group obtains control over the subsidiary and ceases when the Project Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Project Group gains control until the date when the Project Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to owners of Project Company and to non-controlling interests of subsidiaries. Total comprehensive income and expense of subsidiaries attributed to owners of the Project Company and to non-controlling interests of subsidiaries even if this results in non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Project Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Project Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries, are presented separately from the Project Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### **Changes in the Project Group's interests in existing subsidiaries**

Changes in the Project Group's interests in subsidiaries that do not result in the Project Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Project Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Project Group and the non-controlling interests according to the Project Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Project Company.

#### **Merger accounting for business combination involving entities under common control**

The Historical Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been consolidated from the date when the combining entities first came under common control of the controlling party.

The net assets of the combining entities are consolidated using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

### **Interest in a subsidiary**

Interest in a subsidiary is stated at cost less any identified impairment loss.

### **Revenue from contracts with customers**

The Project Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents service that is distinct or a series of services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Project Group's performance as the Project Group performs;
- the Project Group's performance creates or enhances an asset that the customer controls as the Project Group performs; or
- the Project Group's performance does not create an asset with an alternative use to the Project Group and the Project Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

### ***Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***

#### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Project Group's performance in transferring control of services.

As a practical expedient, if the Project Group has a right to consideration in an amount that corresponds directly with the value of the Project Group's performance completed to date, the Project Group recognises revenue in the amount to which the Project Group has the right to invoice.

### **Equipment**

Equipment is tangible asset that is held for use in the production or supply of goods or services, or for administrative purposes. Equipment is stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Impairment on equipment and right-of-use assets**

At the end of each reporting period, the Project Group reviews the carrying amounts of its equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Project Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Project Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Inventory of properties**

Properties under development for sale which are intended to be sold upon completion of development and properties held for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development for sale/properties held for sale are carried at the lower of cost and net realisable value.

Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised.

Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Project Group must incur to make the sale.

Properties under development for sale are transferred to properties held for sale upon completion.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Project Group's entities are translated into the presentation currency of the Project Group (i.e. HK\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests of subsidiaries as appropriate).

Exchange differences relating to the retranslation of the Project Group's net assets in RMB to the Project Group's presentation currency (i.e. HK\$) are recognised directly in other comprehensive income and accumulated in foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are not reclassified to profit or loss subsequently.

### **Leases**

#### ***Definition of a lease***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.



For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Project Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Project Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases within the portfolio.

### *The Project Group as a lessee*

#### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Project Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

#### *Short-term leases*

The Project Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

#### *Right-of-use assets*

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Project Group; and
- an estimate of costs to be incurred by the Project Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Project Group presents right-of-use assets that do not meet the definition of inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of inventory are presented within “inventory of properties”.

#### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

#### *Lease liabilities*

At the commencement date of a lease, the Project Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Project Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Project Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed.

The Project Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

#### *Lease modifications*

The Project Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Project Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Project Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Project Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from “profit (loss) before taxation” because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Project Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries, except where the Project Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

For the purposes of measuring deferred tax for leasing transactions in which the Project Group recognises the right-of-use assets and the related lease liabilities, the Project Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Project Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade debtors arising from contracts with customers, if any, which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### ***Financial assets***

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”).

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Project Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Project Group may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

*Impairment of financial assets subject to impairment assessment under HKFRS 9*

The Project Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including other debtors, loan receivables, amounts due from related parties and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Project 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 conditions at the reporting date as well as the forecast of future conditions.

For all instruments, the Project Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Project Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

## (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Project Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Project 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Project Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Project Group has reasonable and supportable information that demonstrates otherwise.

The Project Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## (ii) Definition of default

For internal credit risk management, the Project Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Project Group, in full (without taking into account any collaterals held by the Project Group).

Irrespective of the above, the Project Group considers that default has occurred when a financial asset is more than 90 days past due unless the Project Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

## (iv) Write-off policy

The Project Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Project Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

## (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Project Group in accordance with the contract and the cash flows that the Project Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for loan receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Project Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management of the Project Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income 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 amortised cost of the financial asset.

The Project Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of other debtors and loan receivables, where the corresponding adjustment is recognised through a loss allowance account.

#### *Derecognition of financial assets*

The Project Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### *Financial liabilities and equity*

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Project Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Project Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Project Company's own equity instruments.



*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

*Financial liabilities at amortised cost*

Financial liabilities including creditors and accrued charges, bank borrowings and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

*Derecognition of financial liabilities*

The Project Group derecognises financial liabilities when, and only when, the Project Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Employee benefits***Retirement benefit costs*

Payments to the state-managed retirement benefit scheme operated by the government are charged as an expense when employees have rendered service entitling them to the contributions.

*Short-term and other long-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Project Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

**5. REVENUE**

	Year ended 31 December			Eight months ended	
	2019	2020	2021	31 August 2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property management and service income	758	143	5	5	—

The Project Group provides property management service to property owners. The Project Group bills a fixed rate for services provided on a monthly/regular basis and recognises such service as revenue in the amount to which it has a right to invoice and that corresponds directly with the value of performance completed. As property owners simultaneously receive and consume the benefit provided by the Project Group's performance as the Project Group performs, the Project Group recognises the service income received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

The Project Group has elected to apply the practical expedient under HKFRS 15 for not to disclose the information of remaining performance obligations which are part of a contract that the Project Group bills the customer a fixed amount for each month of service provided.

## 6. SEGMENT INFORMATION

Information reported to the management of the Project Group, being the chief operating decision maker, for the purposes of resource allocation and performance assessment focuses on revenue analysis. No other discrete financial information is provided other than the Project Group's result and financial position as a whole. Accordingly, only entity-wide disclosures are presented.

The Project Group's operations are located in the PRC. All revenue and non-current assets of the Project Group are generated from and located in the PRC. No revenue from a single customer contributed 10% or more of the Project Group's revenue for the Relevant Periods.

## 7. FINANCE COSTS

	Year ended 31 December			Eight months ended	
	2019	2020	2021	31 August 2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Interest on bank borrowings	47,910	54,148	78,660	52,006	63,191
Interest on lease liabilities	31	24	117	83	48
Other interest and finance costs	—	—	4	4	—
	<u>47,941</u>	<u>54,172</u>	<u>78,781</u>	<u>52,093</u>	<u>63,239</u>
Less: Capitalised in properties under development for sale	<u>(47,910)</u>	<u>(54,148)</u>	<u>(78,660)</u>	<u>(52,006)</u>	<u>(63,191)</u>
	<u>31</u>	<u>24</u>	<u>121</u>	<u>87</u>	<u>48</u>

## 8. (LOSS) PROFIT BEFORE TAXATION

	Year ended 31 December			Eight months ended	
	2019	2020	2021	31 August	
	HK\$'000	HK\$'000	HK\$'000	2021	2022
				HK\$'000	HK\$'000
				<i>(unaudited)</i>	
(Loss) profit before taxation has been arrived at after charging:					
Auditor's remuneration ( <i>note</i> )	—	—	—	—	—
Depreciation of equipment	83	55	178	109	146
Depreciation of right-of-use assets ( <i>Note 13</i> )	574	372	907	597	620
	657	427	1,085	706	766
Less: Capitalised in properties under development for sale	(83)	(55)	(178)	(109)	(146)
	<u>574</u>	<u>372</u>	<u>907</u>	<u>597</u>	<u>620</u>
Staff costs:					
Salaries and other benefits	20,002	20,273	21,539	15,343	13,959
Provident fund scheme contributions	2,402	1,818	3,397	2,314	2,228
Less: Capitalised in properties under development for sale	(19,653)	(19,451)	(22,274)	(15,771)	(14,632)
Total staff costs (excluding directors' emoluments)	<u>2,751</u>	<u>2,640</u>	<u>2,662</u>	<u>1,886</u>	<u>1,555</u>
and after crediting:					
Bank interest income	<u>102</u>	<u>151</u>	<u>—</u>	<u>—</u>	<u>117</u>

*Note:* No remuneration has been incurred since there is no statutory audit requirement for the Project Company.

## 9. INCOME TAX CREDIT

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Deferred tax ( <i>Note 15</i> )	—	—	(2,351)	(2,569)	—

Under the Law of the PRC on Enterprise Income Tax (“EIT”) (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the entities operating in the PRC is 25% for the Relevant Periods. No provision for taxation in the PRC has been made as the Project Group’s entities in the PRC had no assessable profits during the Relevant Periods.

The income tax credit for the Relevant Periods can be reconciled to the (loss) profit before taxation as follows:

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
(Loss) profit before taxation	(3,611)	(4,595)	(3,095)	(3,323)	441
Tax at the PRC’s EIT rate of 25%	(903)	(1,149)	(774)	(831)	110
Tax effect of income not taxable for tax purpose	—	—	—	—	(474)
Tax effect of tax losses not recognised	903	1,149	992	831	364
Tax effect of recognition of tax losses previously not recognised	—	—	(2,569)	(2,569)	—
Income tax credit	—	—	(2,351)	(2,569)	—

**10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS****(a) Directors' and chief executive's emoluments**

No emoluments paid or payable to the executive directors of the Project Company for the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2021 and 2022.

**(b) Employees' emoluments**

Five highest paid employees are neither a director nor chief executive of the Project Group for the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2021 and 2022, the details of the remuneration are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Salaries and other benefits	2,780	2,884	3,149	1,955	1,738
Performance related bonus	1,032	1,761	1,413	1,319	421
Provident fund scheme contributions	552	364	651	428	445
	4,364	5,009	5,213	3,702	2,604

Their emoluments are within the following bands:

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	Number of employee	Number of employee	Number of employee	Number of employee	Number of employee
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	4	4	3	5	5
HK\$1,000,001 to HK\$1,500,000	1	1	2	—	—

During the Relevant Periods, no emoluments were paid by the Project Group to the five highest paid individuals as an inducement to join or upon joining the Project Group or as compensation for loss of office.

**11. DIVIDENDS**

No dividend was paid or declared by the Project Company or its subsidiaries since their dates of incorporation.

**12. EARNINGS PER SHARE**

No earnings per share information of the Project Company for the Relevant Periods is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Project Group and for the basis of preparation and presentation of the Historical Financial Information for the Relevant Periods as set out in Note 2.

**13. RIGHT-OF-USE ASSETS**

	<b>As at 31 December</b>			<b>As at 31 August</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leased properties					
Carrying amount	<u>252</u>	<u>1,974</u>	<u>1,460</u>	<u>820</u>	<u>820</u>
Depreciation charge for the year/period (Note 8)	<u>574</u>	<u>372</u>	<u>907</u>	<u>620</u>	<u>620</u>
				<b>Eight months ended</b>	
	<b>Year ended 31 December</b>			<b>31 August</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Cash outflow for lease liabilities (including related interest)	<u>561</u>	<u>371</u>	<u>1,012</u>	<u>660</u>	<u>688</u>
Additions to right-of-use assets (excluding those included in inventory of properties)	<u>814</u>	<u>2,097</u>	<u>348</u>	<u>345</u>	<u>—</u>

For the Relevant Periods, the Project Group leases office premises for its operations. Lease contracts are entered into for fixed terms of 2 years to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Project Group applies the definition of a contract and determines the period for which the contract is enforceable.

**Restrictions or covenants on leases**

As at 31 December 2019, 2020 and 2021 and 31 August 2022, lease liabilities of HK\$284,000, HK\$2,049,000, HK\$1,567,000 and HK\$897,000 respectively are recognised with related right-of-use assets of HK\$252,000, HK\$1,974,000, HK\$1,460,000 and HK\$820,000 respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

**14. LOAN RECEIVABLES**

	As at 31 December			As at
	2019	2020	2021	31 August
	HK\$'000	HK\$'000	HK\$'000	2022 HK\$'000
Fixed-rate loan receivables	—	—	57,851	62,046
Floating-rate loan receivables	—	—	69,328	63,265
Interest-free loan receivables	—	—	—	783
	<u>—</u>	<u>—</u>	<u>—</u>	<u>783</u>
Total gross carrying amount of loan receivables	—	—	127,179	126,094
Less: Impairment loss on loan receivables (Note 26 (b)(ii))	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>127,179</u>	<u>126,094</u>
Analysed as				
Non-current	—	—	119,093	113,568
Current	—	—	8,086	12,526
	<u>—</u>	<u>—</u>	<u>8,086</u>	<u>12,526</u>
	<u>—</u>	<u>—</u>	<u>127,179</u>	<u>126,094</u>

The loan receivables are denominated in RMB. As at 31 December 2021 and 31 August 2022, the loan receivables are secured by properties of the borrowers. The Project Group is not permitted to sell or re-pledge the collaterals in the absence of default by the borrowers. There have not been any significant changes in the quality of the collateral held for the loan receivables.

Details of impairment assessment for the loan receivables at the end of each reporting period are set out in Note 26 (b)(ii).

The exposure of the Project Group's loan receivables to interest rate risks and the contractual maturity dates are as follows:

	As at 31 December			As at
	2019	2020	2021	31 August
	HK\$'000	HK\$'000	HK\$'000	2022
Within one year	—	—	8,086	12,526
More than one year but not exceeding two years	—	—	13,832	28,639
More than two years but not exceeding five years	—	—	55,062	34,879
More than five years	—	—	50,199	50,050
	<u>—</u>	<u>—</u>	<u>127,179</u>	<u>126,094</u>

The range of interest rates per annum on the Project Group's loan receivables are as follows:

	As at 31 December			As at
	2019	2020	2021	31 August
Fixed-rate loan receivables	—	—	2.88%-6.68%	2.88%-6.68%
Floating-rate loan receivables	<u>—</u>	<u>—</u>	<u>3.25%-6.37%</u>	<u>3.25%-6.37%</u>

## 15. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during the Relevant Periods:

	Tax losses
	HK\$'000
At 1 January 2019, 2020 and 2021	—
Credit for the year	(2,351)
Exchange adjustment	<u>(43)</u>
At 31 December 2021	(2,394)
Exchange adjustment	<u>45</u>
At 31 August 2022	<u>(2,349)</u>



As at 31 December 2019, 2020 and 2021 and 31 August 2022, the Project Group has estimated unused tax losses of HK\$6,788,000, HK\$11,384,000, HK\$15,352,000 and HK\$16,808,000, respectively available to offset against future profits. A deferred tax asset has been recognised in respect of nil, nil, HK\$10,276,000 and HK\$10,276,000 of such losses based on the estimated utilisation of future profit, respectively.

## 16. INVENTORY OF PROPERTIES

	As at 31 December			As at
	2019	2020	2021	31 August
	HK\$'000	HK\$'000	HK\$'000	2022
Properties under development for sale	<u>1,747,817</u>	<u>2,395,420</u>	<u>2,947,259</u>	<u>3,117,054</u>

The entire balance of properties under development for sale is expected to be completed and is available for sale to customers more than twelve months from the end of each reporting period.

## 17. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at
	2019	2020	2021	31 August
	HK\$'000	HK\$'000	HK\$'000	2022
Prepayment of value added tax and other taxes	4,687	4,458	4,295	849
Other debtors, deposits and prepayments	<u>4,003</u>	<u>3,145</u>	<u>3,210</u>	<u>3,161</u>
Total gross carrying amounts of debtors, deposits and prepayments	8,690	7,603	7,505	4,010
Less: Impairment loss on other debtors (Note 26 (b)(ii))	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>8,690</u>	<u>7,603</u>	<u>7,505</u>	<u>4,010</u>

## 18. AMOUNTS DUE FROM (TO) RELATED PARTIES/AMOUNT DUE FROM (TO) A RELATED PARTY

### The Project Group

The balances represent the amounts due from (to) the group entities under common control of Road King and the balances were interest-free, unsecured and repayable on demand.

**The Project Company**

The balances represent the amounts due from (to) the group entities under common control of Road King and the balances were interest-free, unsecured and repayable on demand.

**19. BANK BALANCES AND CASH**

Bank balances carried interest at market rates which range from 0.30% to 0.35%, 0.30% to 2.73%, 0.30% to 2.73% and 0.30% to 2.73% per annum as at 31 December 2019, 2020 and 2021 and 31 August 2022, respectively.

The Project Group's bank balances and cash are denominated in the functional currency of the relevant group entities.

**20. CREDITORS AND ACCRUED CHARGES**

	As at 31 December			As at
	2019	2020	2021	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aged analysis of creditors presented based on invoice date:				
Trade payables				
Within 60 days	40	382	20	—
61 to 90 days	—	23	—	35
More than 90 days	17	60	383	403
	<u>57</u>	<u>465</u>	<u>403</u>	<u>438</u>
Accrued taxes (other than EIT)	158	145	169	85
Other payables	363	397	1,163	5,531
	<u>578</u>	<u>1,007</u>	<u>1,735</u>	<u>6,054</u>

## 21. LEASE LIABILITIES

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The maturity of the lease liabilities is as follows:				
Within one year	284	730	990	897
More than one year but not exceeding two years	—	776	577	—
More than two years but not exceeding five years	—	543	—	—
	284	2,049	1,567	897
Less: Amounts due within one year shown and classified under current liabilities	(284)	(730)	(990)	(897)
Amounts due over one year shown and classified under non-current liabilities	—	1,319	577	—

## 22. BANK BORROWINGS

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unsecured bank borrowings	766,199	1,057,169	1,319,815	1,177,091

The maturity of the above bank borrowings is as follows:

	As at 31 December			As at
	2019	2020	2021	31 August
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
Bank borrowings repayable*:				
Within one year	—	—	265,935	246,538
More than one year but not exceeding two years	—	211,075	263,470	232,638
More than two years but not exceeding five years	766,199	846,094	790,410	697,915
	<u>766,199</u>	<u>846,094</u>	<u>790,410</u>	<u>697,915</u>
Total borrowings	766,199	1,057,169	1,319,815	1,177,091
Less: Amounts due within one year shown and classified as current liabilities	<u>—</u>	<u>—</u>	<u>(265,935)</u>	<u>(246,538)</u>
Amounts due over one year shown and classified as non-current liabilities	<u>766,199</u>	<u>1,057,169</u>	<u>1,053,880</u>	<u>930,553</u>

\* The amounts due are based on scheduled repayment dates set out in the borrowing agreements.

The bank borrowings bear a floating-rate of the PRC's loan prime rate plus 227.5 basis point per annum as at 31 December 2019, 2020 and 2021 and 31 August 2022 respectively.

The bank borrowings as at 31 December 2019, 2020 and 2021 and 31 August 2022 were required to comply with the financial covenants throughout the continuance of the relevant borrowings and/or as long as the borrowings are outstanding.

The Project Company has complied with these covenants throughout the Relevant Periods.

### 23. SHARE CAPITAL

The share capital as at 1 January 2019, 31 December 2019 and 2020 represented the share capital of Yingfeng Investment, the holding company of the entities comprising the Project Group, attributable to Road King.

The share capital as at 31 December 2021 and 31 August 2022 represented the share capital of the Project Company.

Details of the Project Company's shares are disclosed as follows:

	Number of shares	Share capital <i>US\$'000</i>	Share capital <i>HK\$'000</i>
Ordinary shares of US\$1 each			
<b>Authorised</b>			
At date of incorporation and 31 December 2021	1	— <sup>^</sup>	— <sup>*</sup>
Shares allotment	<u>9,999</u>	<u>10</u>	<u>78</u>
At 31 August 2022	<u><u>10,000</u></u>	<u><u>10</u></u>	<u><u>78</u></u>
<b>Issued and fully paid</b>			
At date of incorporation and 31 December 2021	1	— <sup>^</sup>	— <sup>*</sup>
Issue of shares	<u>9,999</u>	<u>10</u>	<u>78</u>
At 31 August 2022	<u><u>10,000</u></u>	<u><u>10</u></u>	<u><u>78</u></u>

<sup>^</sup> Less than US\$1,000

<sup>\*</sup> Less than HK\$1,000

### Reserves of the Project Company

There is no material movement of reserves of the Project Company since its date of incorporation. The reserves of the Project Company are comprised of foreign currency exchange reserve and accumulated losses.

## 24. RETIREMENT BENEFIT PLANS

For the operations in the PRC, the employees of the Project Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Project Group with respect to the retirement scheme is to make the specified contributions.

## 25. CAPITAL RISK MANAGEMENT

The Project Group manages its capital to ensure that entities in the Project Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Project Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Project Group consists of debts, which include bank borrowings and lease liabilities disclosed in Notes 22 and 21 respectively, and equity comprising issued capital and reserves attributable to owners of the Project Company, and non-controlling interests of subsidiaries.

The management of the Project Group reviews the capital structure periodically. As part of this review, the management of the Project Group assesses the annual budget which incorporates the planned construction projects and takes into account of the provision of funding. Based on the proposed annual budget, the management of the Project Group considers the cost of capital and the risks associated with the capital. The management of the Project Group also balances its overall capital structure through the payment of dividends, the issue of new share as well as new debts or the redemption of existing debts.

The management of the Project Group monitors the utilisation of bank borrowings and ensures full compliance with loan covenants, if any, during and at the end of each reporting period.

## 26. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

#### *The Project Group*

	As at 31 December			As at
	2019	2020	2021	31 August
	HK\$'000	HK\$'000	HK\$'000	2022
				HK\$'000
<i>Financial assets</i>				
Financial assets at amortised cost	<u>236,319</u>	<u>240,846</u>	<u>368,245</u>	<u>188,326</u>
<i>Financial liabilities</i>				
Financial liabilities at amortised cost	<u>1,668,320</u>	<u>2,308,319</u>	<u>3,331,680</u>	<u>3,317,363</u>

#### *The Project Company*

The Project Company had no material financial assets and financial liabilities as at 31 December 2020 and 2021 and 31 August 2022.

### (b) Financial risk management objectives and policies

The management of the Project Group has overall responsibility for the establishment and oversight of the Project Group's risk management framework. The Project Group's risk management policies are established to identify and analyse the risks encountered by the Project Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Project Group's activities. The Project Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no material change to the Project Group's exposure to market risks or the manner in which it manages and measures these risks.

(i) *Market risk*

The Project Group's activities expose primarily to the financial risks of changes in interest rates.

*Foreign currency risk*

The Project Group currently does not have foreign currency risk. It is because the entities comprising the Project Group have transactions mainly within the PRC and the translation of their assets and liabilities to HK\$ is for presentation purpose only. The management of the Project Group monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

*Interest rate risk management*

The Project Group is exposed to cash flow interest rate risk due to the fluctuation of the People's Bank of China prescribed interest rates on bank balances, certain loan receivables and bank borrowings.

The Project Group's fair value interest rate risk relates primarily to certain loan receivables and lease liabilities which carry interest at fixed interest rates.

The management of the Project Group manages the interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Total interest income from financial assets that are measured at amortised cost is as follows:

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets at amortised cost</b>				
- Interest income from loan receivables	—	—	2,797	3,704
- Interest income from bank balances	102	151	—	117
Interest income under effective interest method	102	151	2,797	3,821

*Interest rate sensitivity*

The Project Group's bank balances are excluded from sensitivity analysis as the management of the Project Group considers the exposure of cash flow interest rate risk arising from variable-rate bank balances, loan receivables and bank borrowings are insignificant.

**(ii) Credit risk and impairment management**

The Project Group's maximum exposure to credit risk which will cause a financial loss to the Project Group is arising from the financial assets as disclosed in the consolidated statements of financial position. Other than the collateral to cover the credit risks of the loan receivables as detailed in Note 14, the Project Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Project Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Project Group performs impairment assessment under ECL model on financial assets at amortised cost individually or collectively, where appropriate. In this regard, the management of the Project Group considers that the Project Group's credit risk is significantly reduced.

*Loan receivables*

The Project Group has designated a team to assess the credit quality of the borrowers before an advance is made. The Project Group would generally require the borrowers to provide collaterals for the loans with material balances i.e. the properties owned by the borrowers. The Project Group also closely monitored the repayment status of the loan receivables and the status and conditions of the collaterals and requested for credit enhancements if necessary. The management of the Project Group estimated the loss rates of loan receivables based on historical credit loss experience of the borrowers as well as the fair value of the collaterals pledged by the borrowers to the loan receivables. The ECL on loan receivables at the end of each reporting period were not significant after taking into account of potential loss in case of default.

*Amounts due from related parties*

The amounts due from entities under common control of Road King are centrally managed by Road King. For the purpose of impairment assessment, the amounts were considered to have low credit risk as the timing of payment is controlled by Road King taking into account cash flow management within the Road King's group of entities, and there has been no significant increase in the risk of default on the amount since initial recognition. Accordingly, the loss allowance for the amounts due from entities under common control of Road King is measured at an amount equal to 12m ECL.



In determining the ECL, the management of the Project Group has taken into account the financial position of the entities under common control of Road King, adjusted for factors that are specific to these entities and general economic conditions of the industry in which they operate, in estimating the probability of default of the amount as well as the loss upon default. The management of the Project Group determines the amounts are subject to immaterial credit loss and no loss allowance has been recognised against this balance.

#### *Other debtors*

For other debtors and deposits, the management of the Project Group makes periodic individual assessment on the recoverability of other debtors and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management of the Project Group believes that there is no material credit risk inherent in the Project Group's outstanding balance of other debtors and deposits as the major outstanding balances are short-term in nature. As at 31 December 2019, 2020 and 2021 and 31 August 2022, the Project Group assessed that the ECL for other debtors and deposits were insignificant.

#### *Bank balances*

The Project Group's credit risk on bank balances is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC. The Project Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances as at 31 December 2019, 2020 and 2021 and 31 August 2022 were considered to be insignificant and no loss allowance was recognised accordingly.

The tables below detail the credit risk exposures of the Project Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount			
					As at 31 December			As at
					2019	2020	2021	31 August 2022
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets at amortised costs</b>								
Amounts due from related parties	18	N/A	(note)	12m ECL	119,656	126,218	129,115	678
Loan receivables	14	N/A	(note)	12m ECL	—	—	127,179	126,094
Other debtors	17	N/A	(note)	12m ECL	3,670	2,795	3,210	3,161
Bank balances	19	Ranged from A+ to BBB-	N/A	12m ECL	112,961	111,770	108,592	58,313

*Note:* For the purposes of internal credit risk management, the Project Group used the financial performance of the related parties including their profitability and net assets position to assess whether credit risk on amounts due from related parties has been increased significantly since initial recognition. The Project Group assessed whether credit risk on loan receivables has been increased significantly since initial recognition based on the settlement status of the loans principal and interest and whether the loan period has been extended during the Relevant Periods. For other debtors, the Project Group assessed whether credit risk on other debtors has been increased significantly since initial recognition based on the past due records during the Relevant Periods.

**(iii) *Liquidity risk management***

In preparation of the Historical Financial Information, the directors of the Project Company have given due and careful consideration to the future liquidity of the Project Group in light of the Project Group's net liabilities of HK\$9,305,000 and HK\$8,615,000 as at 31 December 2021 and 31 August 2022, respectively. In the opinion of the directors of the Project Company, the Historical Financial Information has been prepared on a going concern basis as the Project Company's ultimate holding company, Road King, agreed to provide adequate funds to enable the Project Group to meet in full its financial obligations as they fall due in the foreseeable future.

In the management of the liquidity risk, the Project Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Project Group to finance the Project Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Project Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants, if any.

Ultimate responsibility for liquidity risk management rests with the management of the Project Group who has built an appropriate liquidity risk management framework for the management of the Project Group's short, medium and long-term funding and liquidity management requirements. The Project Group manages liquidity risk by maintaining adequate working capital and available banking facilities and continuously monitors the forecast and actual cash flows.

*Liquidity and interest risk tables*

The following table details the Project Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Project Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 6 months HK\$'000	6 - 12 months HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>31 December 2019</b>							
Creditors and accrued charges	—	420	—	—	—	420	420
Amounts due to related parties	—	901,701	—	—	—	901,701	901,701
Lease liabilities	6.10	287	—	—	—	287	284
Bank borrowings	6.475	24,763	24,763	49,527	876,324	975,377	766,199
		<u>927,171</u>	<u>24,763</u>	<u>49,527</u>	<u>876,324</u>	<u>1,877,785</u>	<u>1,668,604</u>

	Weighted average effective interest rate %	On demand or less than 6 months HK\$'000	6 - 12 months HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>31 December 2020</b>							
Creditors and accrued charges	—	862	—	—	—	862	862
Amounts due to related parties	—	1,250,288	—	—	—	1,250,288	1,250,288
Lease liabilities	6.10	415	415	831	554	2,215	2,049
Bank borrowings	6.125	32,321	32,321	272,772	898,023	1,235,437	1,057,169
		<u>1,283,886</u>	<u>32,736</u>	<u>273,603</u>	<u>898,577</u>	<u>2,488,802</u>	<u>2,310,368</u>

	Weighted average effective interest rate %	On demand or less than 6 months HK\$'000	6 - 12 months HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>31 December 2021</b>							
Creditors and accrued charges	—	1,566	—	—	—	1,566	1,566
Amounts due to related parties	—	2,010,299	—	—	—	2,010,299	2,010,299
Lease liabilities	6.10	526	527	588	—	1,641	1,567
Bank borrowings	6.125	40,344	301,348	320,624	811,747	1,474,063	1,319,815
		<u>2,052,735</u>	<u>301,875</u>	<u>321,212</u>	<u>811,747</u>	<u>3,487,569</u>	<u>3,333,247</u>

	Weighted average effective interest rate %	On demand or less than 6 months HK\$'000	6 - 12 months HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>31 August 2022</b>							
Creditors and accrued charges	—	5,969	—	—	—	5,969	5,969
Amounts due to related parties	—	2,134,303	—	—	—	2,134,303	2,134,303
Lease liabilities	6.10	501	420	—	—	921	897
Bank borrowings	5.975	150,008	147,076	283,702	702,756	1,283,542	1,177,091
		<u>2,290,781</u>	<u>147,496</u>	<u>283,702</u>	<u>702,756</u>	<u>3,424,735</u>	<u>3,318,260</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

**27. RELATED PARTY TRANSACTIONS**

The Project Group had the following balances with the related parties during the Relevant Periods:

Relationships	Nature	As at 31 December			As at
		2019	2020	2021	31 August
		HK\$'000	HK\$'000	HK\$'000	2022
Fellow subsidiaries	Amounts due from related parties	119,656	126,218	129,115	678
Fellow subsidiaries	Amounts due to related parties	<u>901,701</u>	<u>1,250,288</u>	<u>2,010,299</u>	<u>2,134,303</u>

**Compensation of key management personnel**

The remuneration of the directors of the Project Company and other members of key management during the Relevant Periods was as follows:

	As at 31 December			As at
	2019	2020	2021	31 August
	HK\$'000	HK\$'000	HK\$'000	2022
Short-term employment benefits	<u>4,364</u>	<u>5,009</u>	<u>5,213</u>	<u>2,604</u>

The remuneration of the above key management personnel is determined with reference to their individual performance and market trends.

## 28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	<b>Bank borrowings</b>	<b>Lease liabilities</b>	<b>Amounts due to related parties</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2019	800,000	—	527,967	1,327,967
Financing cash flows ( <i>note (a)</i> )	(58,584)	(561)	649,983	590,838
Non-cash transaction ( <i>note (b)</i> )	—	—	(255,556)	(255,556)
Addition of right-of-use assets	—	814	—	814
Finance costs	47,910	31	—	47,941
Exchange adjustment	(23,127)	—	(20,693)	(43,820)
	<u>766,199</u>	<u>284</u>	<u>901,701</u>	<u>1,668,184</u>
At 31 December 2019	766,199	284	901,701	1,668,184
Financing cash flows ( <i>note (a)</i> )	195,035	(371)	302,238	496,902
Addition of right-of-use assets	—	2,097	—	2,097
Finance costs	54,148	24	—	54,172
Exchange adjustment	41,787	15	46,349	88,151
	<u>1,057,169</u>	<u>2,049</u>	<u>1,250,288</u>	<u>2,309,506</u>
At 31 December 2020	1,057,169	2,049	1,250,288	2,309,506
Financing cash flows ( <i>note (a)</i> )	149,539	(1,012)	689,446	837,973
Addition of right-of-use assets	—	348	—	348
Finance costs	78,664	117	—	78,781
Exchange adjustment	34,443	65	70,565	105,073
	<u>1,319,815</u>	<u>1,567</u>	<u>2,010,299</u>	<u>3,331,681</u>
At 31 December 2021	1,319,815	1,567	2,010,299	3,331,681
Financing cash flows ( <i>note (a)</i> )	(180,205)	(688)	162,025	(18,868)
Finance costs	63,191	48	—	63,239
Exchange adjustment	(25,710)	(30)	(38,021)	(63,761)
	<u>1,177,091</u>	<u>897</u>	<u>2,134,303</u>	<u>3,312,291</u>
At 31 August 2022	1,177,091	897	2,134,303	3,312,291
	<u>1,057,169</u>	<u>2,049</u>	<u>1,250,288</u>	<u>2,309,506</u>
At 1 January 2021	1,057,169	2,049	1,250,288	2,309,506
Financing cash flows ( <i>note (a)</i> )	115,370	(660)	605,503	720,213
Addition of right-of-use assets	—	345	—	345
Finance costs	52,010	83	—	52,093
Exchange adjustment	26,101	50	58,857	85,008
	<u>1,250,650</u>	<u>1,867</u>	<u>1,914,648</u>	<u>3,167,165</u>
At 31 August 2021 (unaudited)	1,250,650	1,867	1,914,648	3,167,165

Notes:

- (a) The financing cash-flows include addition of right-of-use assets, repayment of lease liabilities and interest, new borrowing raised, repayment of bank borrowings and interest, advance from related parties and repayment to related parties.
- (b) The amount represents the consideration paid by a fellow subsidiary under common control of Road King in relation to the Project Group's acquisition of the remaining 20% of the issued share capital in Yingfeng Investment and it was capitalised in the respective reserves of the Project Group. Details are set out in the consolidated statements of changes in equity.

## 29. PARTICULARS OF SUBSIDIARIES

At the date of this report, the Project Company has direct and indirect shareholding/equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Shareholding/equity interest attributable to the Project Company as at				The date of Principal this report activities
			31 December 2019	31 December 2020	31 December 2021	31 August 2022	
<i>Directly held:</i>							
Jovial Elite	BVI 1 December 2020	US\$1	N/A	N/A	100%	100%	100% Investment holding
<i>Indirectly held:</i>							
Shanghai Meixi 上海美晞企業管 理有限公司	PRC 23 March 2021	RMB300,000,000	N/A	N/A	100%	100%	100% Corporate management and consultancy
Shenzhen Junyue 深圳市雋越投資 發展有限公司	PRC 31 December 2021	RMB20,000,000	N/A	N/A	100%	100%	100% Investment holding
Yingfeng Investment 深圳市盛世盈豐 投資發展有限 公司	PRC 3 November 1997	RMB50,000,000	100%	100%	100%	100%	100% Property development
Yingfeng Property Management 深圳市盛世盈豐 物業管理有限公司	PRC 15 August 2013	RMB500,000	100%	100%	100%	100%	100% Property management

All subsidiaries now comprising the Project Group are limited liability companies and have adopted the same financial year end date of the Project Company as their financial year end date.

No audited financial statements have been prepared for all subsidiaries now comprising the Project Group since their dates of incorporation/establishment as they are incorporated/established in the jurisdictions where there are no statutory audit requirements under the relevant rules and regulations.

## 30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Project Group, the Project Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Relevant Periods.

The following management discussion and analysis is based on the financial information included in the accountants' report on the Project Group as set out in Appendix II to this circular for the period commencing from the three years ended 31 December 2019, 2020 and 2021, and the eight months ended 31 August 2021 and 2022 (the "**Track Record Period**").

#### **A. REVIEW OF FINANCIAL RESULTS**

##### **Profit or loss and other comprehensive income**

The Project Group is principally engaged in the Project, which involves the demolition, resettlement and subsequent re-development of the Site located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen. The Project Group is in the course of acquiring the remaining property interests on the Site and, based on current development plans, demolition and construction works are expected to commence by the end of 2023 and pre-sales of the residential Project units are expected to commence in 2025. The Project Group was also engaged in the provision of property management services to third party owners on the Site.

Accordingly, during the Track Record Period, the Project Group has not generated any revenue from property sales, but has received income from the provision of property management services and incurred cost of management services, other income and administrative expenses.

Income from property management services and related costs have reduced over the years as an increasing number of existing properties on the Site were vacated and sold to the Project Group under its resettlement efforts. The Project Group also generated interest income related to funds advanced by the Development Company to owners of existing properties on the Site in order to secure the release of mortgages and facilitate completion of the transfer of those properties to the Project Group. The other operating expenses for the Track Record Period mainly comprised charitable donations, office utilities expenses, bank and other tax charges, etc.

As a result, the Project Group recognized a net loss of HK\$3.6 million, HK\$4.6 million, HK\$0.7 million and HK\$0.8 million, respectively, for the three years ended 31 December 2019, 2020 and 2021, and the eight months ended 31 August 2021 and a net profit of HK\$0.4 million for the eight months ended 31 August 2022.

##### **Financial position**

During the three years ended 31 December 2019, 2020 and 2021, and eight months ended 31 August 2022, the assets of the Project Group mainly comprised the properties under development for sale with carrying value of HK\$1,748 million, HK\$2,395 million, HK\$2,947 million and HK\$3,117 million, respectively. The properties under development for sale mainly included the land costs, resettlement/demolition compensation costs, design costs and other upfront costs before commencement of the construction, capitalized borrowing costs and development-related overheads. In 2021, the Project Group started to provide loans to existing property owners on the Site to facilitate their redemption of the real estate title certificates that were previously pledged to banks. As of 31



August 2022, the assets of the Project Group mainly comprised loan receivables from property owners of about HK\$126 million, properties under development for sale of about HK\$3,117 million and bank balances and cash of about HK\$58 million. The assets were mainly financed by related companies of about HK\$2,134 million in aggregate and bank loan of about HK\$1,177 million.

## **B. CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

### **Bank balances and cash and capital structure**

The Project Group had bank balances and cash of about HK\$113 million, HK\$112 million, HK\$109 million and HK\$58 million as at 31 December 2019, 2020 and 2021 and 31 August 2022, respectively. The Project Group obtained funding from banks and related companies to finance the land and construction cost payments of the Project and its operating expenses and maintain a healthy cash position.

The Project Company did not have any material foreign exchange exposure and therefore did not use any financial instrument for hedging purposes or have any material foreign currency net investment during the Track Record Period.

### **Borrowings and charges on assets**

The debts of the Project Group were mainly comprised of the unsecured and interest free loans from related companies and the unsecured bank loans with floating interest rate of loan prime rate plus a margin. The amounts due to related companies as at 31 December 2019, 2020 and 2021 and 31 August 2022 amounted to HK\$902 million, HK\$1,250 million, HK\$2,010 million and HK\$2,134 million, respectively. The bank loans of the Project Group as at 31 December 2019, 2020 and 2021 and 31 August 2022 amounted to HK\$766 million, HK\$1,057 million, HK\$1,320 million and HK\$1,177 million, respectively. The reduction in bank loans was mainly attributable to the partial repayment in 2022.

The Project Group had not charged any of its assets as at 31 December 2019, 2020 and 2021, and 31 August 2022.

## **C. CAPITAL COMMITMENT**

As at 31 December 2019, 2020 and 2021, and 31 August 2022, the Project Group did not have any capital commitment.

## **D. CONTINGENT LIABILITIES**

As at 31 December 2019, 2020 and 2021, and 31 August 2022, the Project Group did not have any contingent liabilities.

**E. EMPLOYEES AND REMUNERATION POLICIES**

As of 31 December 2019, 2020 and 2021, and 31 August 2022, the number of employees in the Project Group was approximately 71, 68, 62 and 30, respectively. The substantial reduction in number of employees as of 31 August 2022 was mainly due to over 95% of the owners of the Project having been resettled or contracted to resettle.

**F. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

Save for the further investment in the development of the Project, the Project Group did not have any significant investments or material acquisitions or disposals of subsidiaries and associated companies during the Track Record Period.

**G. PROSPECTS**

The Project is an urban renewal project referred to as Haitao Garden at the Site located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the PRC and was built in the 1980s. It involves the demolition and resettlement of a total of 58 residential buildings with some commercial facilities, covering a development site area of 44,339.4 sq. m. (with planned gross floor area of 242,980 sq.m.), and the re-development of the Site thereafter. Under the current development plan, subject to the relevant regulatory approvals being obtained, the Project entails a new property development project that has 223,780 sq.m. gross floor area for residential use, 12,600 sq. m. gross floor area for commercial use and 6,600 sq. m. gross floor area for ancillary public facilities.

After the Development Company has acquired the property interests of all the owners of the existing properties on the Site (and subject to its urban renewal proposal remaining valid and the renewal project remaining part of the Shenzhen Municipal Bureau of Urban Planning and Land Resources' development plan), it can then apply to become the developer of the Project (實施主體). Following the demolition of the existing buildings on the Site and the cancellation of the property registration of those buildings, the developer of the Project can then formally apply for the relevant planning and construction approvals for the Project and enter into land use rights grant contract with the relevant state-owned land authority in which the land premium payable for proposed development (including the increase in plot ratio) will be specified. Once the land use rights grant contract has been entered into and the land premium has been paid in accordance with the requirements thereunder, the Development Company will become the owner of the land use rights to the Site. The Project Group plans to commence demolition and construction works by the end of 2023 and pre-sales of the residential Project units in 2025.

The Site is well located with seafront at its South-eastern side and park facilities across the street at the Western boundary of the Site. The Site is within walking distance from a shopping centre, five star hotel, retail shops, schools and hospitals, and the Sha Tau Kok border crossing between mainland China and Hong Kong. It also has access to the public transportation network such as buses and subway to the central business districts in Shenzhen, Luohu and Hong Kong. Other urban renewal projects in the vicinity are also expected to contribute to the gentrification and attractiveness of this area and the population of this area is expected to increase.

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF WAI KEE HOLDINGS LIMITED  
AND ITS SUBSIDIARIES INCLUDING RAINBOW TRIUMPH LIMITED AND ITS SUBSIDIARIES**

In connection with the proposed acquisition of 20% of the issued shares of Rainbow Triumph Limited (“Project Company”), a subsidiary of Road King Infrastructure Limited (“Road King”), and the shareholder loans due from Project Company (“Proposed Acquisition”), the unaudited pro forma financial information of Wai Kee Holdings Limited and its subsidiaries (“Group”) comprised unaudited pro forma condensed consolidated statement of assets and liabilities of the Group as at 30 June 2022 and certain explanatory notes (hereinafter collectively referred to as the “Unaudited Pro Forma Financial Information”) have been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Proposed Acquisition on the Group’s assets and liabilities as at 30 June 2022 as if the Proposed Acquisition had taken place at 30 June 2022.

The Unaudited Pro Forma Financial Information was prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 as extracted from the interim report of the Company for the six months ended 30 June 2022.

The Unaudited Pro Forma Financial Information was prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Proposed Acquisition that are factually supportable is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information was also prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only. Due to its hypothetical nature, the Unaudited Pro Forma Financial Information may not purport to predict what the assets and liabilities of the Group would have been if the Proposed Acquisition had been undertaken at 30 June 2022 nor in any future period or on any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with, among others, the financial information of the Group as set out in appendix I to the Circular and the Accountant’s Report of the Project Company and its subsidiaries as set out in appendix II to the Circular and other financial information included elsewhere in the Circular.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF ASSETS AND  
LIABILITIES  
AT 30 JUNE 2022

	The Group	Pro forma adjustments		The Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	
<b>Non-current assets</b>				
Property, plant and equipment	549,225			549,225
Right-of-use assets	62,635			62,635
Intangible assets	361,510			361,510
Goodwill	29,838			29,838
Interests in associates	9,701,249	16		9,701,265
Loan to an associate	2,700			2,700
Interests in joint ventures	132,995			132,995
Financial assets at fair value through profit or loss ("FVTPL")	255,561	383,397		638,958
Other financial asset at amortised cost	34,444			34,444
Derivative financial instruments	47,916			47,916
	<u>11,178,073</u>			<u>11,561,486</u>
<b>Current assets</b>				
Inventories	73,835			73,835
Debtors, deposits and prepayments	811,032			811,032
Contract assets	2,661,732			2,661,732
Amounts due from associates	13,604			13,604
Amount due from a joint venture	689			689
Amounts due from other partners of joint operations	40,483			40,483
Tax recoverable	28,023			28,023
Financial assets at FVTPL	553,432	416,603		970,035
Cash held on behalf of customers	28,481			28,481
Pledged bank deposits	77,247			77,247
Time deposits with original maturity of not less than three months	94,696			94,696
Bank balances and cash	2,096,920	(800,016)	(5,502)	1,291,402
	<u>6,480,174</u>			<u>6,091,259</u>
<b>Total assets</b>	<u>17,658,247</u>			<u>17,652,745</u>

	<b>The Group</b>	<b>Pro forma adjustments</b>		<b>The Group</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	
<b>Current liabilities</b>				
Creditors and accrued charges	3,758,458			3,758,458
Contract liabilities	569,131			569,131
Amounts due to associates	22,529			22,529
Amounts due to other partners of joint operations	12,210			12,210
Amounts due to non-controlling shareholders	3,860			3,860
Lease liabilities	34,185			34,185
Tax liabilities	159,690			159,690
Bank loans	<u>502,696</u>			<u>502,696</u>
	<u>5,062,759</u>			<u>5,062,759</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	5,750			5,750
Obligations in excess of interests in associates	15,437			15,437
Amount due to an associate	1,071			1,071
Lease liabilities	16,930			16,930
Bank loans	1,149,250			1,149,250
Other creditors	23,000			23,000
Bonds	<u>124,289</u>			<u>124,289</u>
	<u>1,335,727</u>			<u>1,335,727</u>
<b>Total liabilities</b>	<u><u>6,398,486</u></u>			<u><u>6,398,486</u></u>

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION  
AT 30 JUNE 2022

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 as set out in the interim report of the Company for the six months ended 30 June 2022 issued on 24 August 2022.
2. The Proposed Acquisition represents the acquisition of (i) 20% of the issued shares of Project Company and (ii) the shareholder loans due from the Project Company.

The Group is entitled to appoint and remove one director to the Project Company and participate in policy making process as long as the Group's shareholder loans due from the Project Company represents no less than 20% of the total amount of shareholder loans then outstanding. In the opinion of the Directors, the Group can exercise significant influence over the Project Company. Accordingly, the 20% of the issued shares of Project Company is classified and accounted for as interest in an associate using equity method.

The Group has the right to require the Project Company to repay (i) up to 50% of the shareholder loans due to the Group on the first anniversary of the Proposed Acquisition's completion date; and (ii) up to the balance of shareholder loans due to the Group on 28 February 2025, at the redemption price based on adjustments related to the market value of properties held by the Project Company (collectively referred to as "Redemption Right").

At any time following the exercise of Redemption Right Road King shall (i) require the Group to transfer to Road King some or all of its shares in the Project Company at HK\$7.85 attributable to each share; or (ii) require the Project Company to issue to Road King additional shares at nominal value, in each case, such that Wai Kee's shareholding interest in the Project Company is reduced to such proportion as the principal amount of Wai Kee's shareholder loans then outstanding bears to the aggregate of the Wai Kee's shareholder loans and Road King commitment, which is HK\$4,000,000,000 in total (referred to as "Balancing Transaction"). The Directors do not consider that the Balancing Transaction as a derivative because the Group can opt for, at the Group's sole discretion, either (i) transferring some or all of its shares of the Project Company to Road King at initial cost or (ii) issuance of additional shares by the Project Company to Road King at nominal value.

The Directors consider that the Redemption Right is a derivative embedded in the shareholder loans. The entire shareholder loans including principal, interest and Redemption Right are accounted for as financial assets at FVTPL as the Directors consider that the contractual right to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Directors indicated that the Group expects to exercise the Redemption Right on the first anniversary of the Proposed Acquisition's completion date. As a result, the related part of the shareholder loans is classified as current assets of the Group.

The Group has worked closely with the qualified external valuers to measure the fair value of 20% of the issued shares of Project Company and fair value of the shareholder loans as at 30 June 2022 as if the Proposed Acquisition had taken place at 30 June 2022.

The adjustment represents the (i) cash consideration HK\$800,015,700 paid for Proposed Acquisition, (ii) fair value of interest in the associate as at 30 June 2022 and (iii) fair value of shareholder loans and Redemption Right as financial assets at FVTPL as at 30 June 2022.

The fair value of interest in the associate and fair value of the financial assets at FVTPL at the completion date of Proposed Acquisition may be different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information.

3. The adjustment represents the estimated professional fees that would have been incurred and charged to profit of loss for the Proposed Acquisition.
4. Apart from above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2022 for the purpose of preparation of the Unaudited Pro Forma Financial Information of the Group.

*The following is text extracted from the independent reporting accountants' assurance report in respect of the Unaudited Pro Forma Financial Information prepared for the purpose of inclusion in this circular, received from independent reporting accounts, Deloitte Touché Tohmatsu, Certified Public Accountants, Hong Kong.*



## **INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

### **TO THE DIRECTORS OF WAI KEE HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wai Kee Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of assets and liabilities as at 30 June 2022 and related notes as set out on pages IV-1 to IV-5 of the circular issued by the Company dated 23 December 2022 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page IV-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 20% of the issued share of Rainbow Triumph Limited and the shareholder loans due from Rainbow Triumph Limited ("Proposed Acquisition") on the Group's financial position as at 30 June 2022 as if the Proposed Acquisition had taken place at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six month ended 30 June 2022, on which a review 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 paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "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 behaviour.



Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA 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 Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited 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 an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the 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 accountants’ judgment, having regard to the reporting accountants’ 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:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
23 December 2022

*The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited, an independent valuer, in connection with its valuation as at 31 October 2022 of the Property by the Group.*



永利行評值顧問有限公司  
**RHL Appraisal Limited**  
Corporate Valuation & Advisory

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Room 1010, 10/F, Star House  
Tsimshatsui, Hong Kong

23 December 2022

**The Board of Directors**

**Wai Kee Holdings Limited**

Unit 1103, 11/F, East Ocean Centre,  
98 Granville Road,  
Tsimshatsui,  
Kowloon,  
Hong Kong

Dear Sir/Madam,

**INSTRUCTIONS**

We refer to your instruction for us to value the property interest as detailed in the enclosed “Property Particulars and Opinion of Value” (“**the Property**”) held by 深圳市盛世盈豐投資發展有限公司 (the “**Development Company**”) which in turn is indirectly wholly-owned by Road King Infrastructure Limited (the “**Company**”), together with its subsidiaries, the (“**Group**”) located in the People’s Republic of China (“**PRC**”). We confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 October 2022 (the “**Valuation Date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

**BASIS OF VALUATION**

The valuation is our opinion of the market value (“**Market Value**”) which we would define as intended to mean 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 wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

**VALUATION METHODOLOGY**

Direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

We have made reference to the land sale price in surrounding area with similar usage. And we have valued the Property on the basis that it will be developed and completed in accordance with the latest development proposals provided by the Company. Construction costs and other costs that will be expended to complete the development have been taken into account to arrive the current market value as at the valuation date.

**VALUATION CONSIDERATIONS**

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the International Valuation Standards 2022.

**VALUATION ASSUMPTION**

We have attributed no commercial value to the Property. For reference purpose only, we have assessed the market value of the Property based on certain assumptions, please refer to footnote No.5 of “Property Particulars and Opinion of Value”.

**TITLE INVESTIGATION**

We have been shown copies of various documents relating to the Property. However, we have not examined the original documents to verify the existing titles to the Property or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Company's PRC legal advisers, Beijing Global Law Office, concerning the validity of the titles to the Property.

**LIMITING CONDITIONS**

We have conducted on-site inspections to the Property on 23 August 2022 by Miss. Chan Xuan who has over 5 years of experience in property valuation. During the course of inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

Should it be discovered that contamination, subsidence or other latent defects exists in the Property or on adjoining or neighboring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied very considerable extent on the information provided by the Group and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property. The plans including but not limited to location plan, site plan, lot index plan, outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Property for reference only and we assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Group. Neither have we verified the correctness of any information supplied to us concerning the Property.

**REMARKS**

We have valued the property interest in Renminbi (RMB).

We enclose herewith the “Property Particulars and Opinion of Value”.

**Jessie X. Chen**  
*MRICS, MSc (Real Estate), BEcon*  
**Senior Associate Director**

**Jenny S. L. Mok**  
*MHKIS, MRICS, BSc*  
**Senior Manager**

*Ms. Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 10 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.*

*Ms. Jenny S. L. Mok is a Chartered Surveyor with over 10 years' experience in valuation of properties in HKSAR and mainland China. Ms. Mok is a Professional Member of The Royal Institution of Chartered Surveyors and a Member of The Hong Kong Institute of Surveyors.*

## PROPERTY PARTICULARS AND OPINION OF VALUE

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 October 2022 RMB
A parcel of land located at Haitao Garden, 58 Haitao Road, Yantian District, Shenzhen, the People's Republic of China	Currently the Property is known as Hai Tao Garden, a residential development project completed at around 1980s. As advised, the Property is subject to an urban renewal plan. (Property Overview Please refer to Note 6)	The Property is pending for demolition and future development.	No commercial value (Please refer to Note 4)
(位於中國深圳市鹽田區58號海濤路海濤花園之一幅土地)	According to a government approval (Please refer to Note1), the Property with site area of approximately 44,339.4 sq.m. (477,265.33 sq.ft.) will be redeveloped for residential and commercial purpose.  The planned gross floor area upon completion of the Property is 242,980 sq.m. (2,615,415 sq.ft.).		

## Notes:

- Pursuant to the Shenzhen Urban Planning and Land Resources Committee document - Shen Gui Tu [2011]817 dated as 12 December 2011, the site area of the Property is 44,339.4 sq.m. with planning details as below:

Usage	Planned Gross Floor Area (sq.m.)
Residential	205,880
Affordable House	17,900
Commercial	12,600
Ancillary Facilities	6,600
<b>Total</b>	<b>242,980</b>

- As advised by the client, the planned gross floor area of the Property is set out as below:

Usage	Planned Gross Floor Area (sq.m.)	Nos. of car parking spaces
Residential	119,241.83	
Affordable House	17,900.00	
Commercial	4,375.96	
Resettlement Residential	86,638.17	
Resettlement Commercial	8,224.04	
Ancillary Facilities	6,600.00	
Underground Car parking spaces	—	1,720
<b>Total</b>	<b>242,980.00</b>	<b>1,720</b>

3. We have been provided with a legal opinion by the Group's PRC legal adviser, Beijing Global Law Office, regarding the legal title of the Property, which contains, inter alia, the followings:

- i. Up to 31 October 2022, the signing rates of the relocation compensation agreements of the Property are approximately 96.96% (by number of property units) and 97.3% (by property area);
- ii. Up to 31 October 2022, the Development Company has been in the process of acquiring the property interests of all the owners of the existing properties on the Site, after which it can then apply for qualification as the developer (實施主體) of the Property. Subject to the signing of the remaining relocation compensation agreements through certain administrative procedures (which the Development Company is already entitled to implement), the relevant government approvals remaining valid and all materials required for qualification as the developer of the Property having been submitted to the competent governmental authorities, the PRC legal adviser considers there is no material legal impediment for the Development Company to be approved as the developer of the Property.

4. As at the valuation date, the Development Company has not obtained valid title of the Property and signed land grant contract is not available, therefore we have attributed no commercial value to the property interest.

For reference purpose only, we are of the opinion that the market value under the assumptions in Note 5 below as at the valuation date would be RMB3,950,000,000. As advised by the Company, the expected land premium is approximately RMB584,000,000, which is estimated by reference to the formulae specified in the applicable PRC regulations. The calculated amount after deducting the expected land premium from the market value of the Property as at the valuation date under the assumptions in Note 5 below is RMB3,366,000,000.

5. In the valuation of reference value of this Property, we have made the following assumptions:

- i. The land premium of the Property is fully settled as at the valuation date. The Development Company has obtained title certificate of the Property and the Property can be freely transferred with no outstanding payable fee or expenses; all necessary statutory approvals for the Property have been obtained;
- ii. The land use right of the Property would be granted for residential and commercial usage with a land use right term of 70 years (residential) and 40 years (commercial) commencing from the valuation date;
- iii. The development plan proposed to be implemented by the Development Company with respect to the development of the Property is legally feasible and does not materially conflict with the applicable rules or regulations relating to such development;
- iv. As confirmed by the Company, the resettlement residential and resettlement commercial would be constructed by the Development Company and handed over after completion for no further payment for resettlement;
- v. The portions for affordable house as stated in the government approval dated 2011 will be constructed by the Development Company and hand over after completion for free to the government;
- vi. As confirmed by the Project Company, the 1,720 underground car parking spaces cannot freely transferrable individually in the market;
- vii. Except for resettlement residential and resettlement commercial units and affordable house, the Development Company is free to transfer, dispose of or lease out the remaining (residential and commercial units) with full title;
- viii. No deleterious or hazardous materials or techniques have been used in the construction of the Property; and
- ix. The Property is connected to main services and sewers which are available on normal terms.



6. The Property is located in coastal area of Sha Tau Kok. Sha Tau Kok District is located in the northwest of Yantian District, with a total area of 1.49 square kilometers. Currently, Sha Tau Kok has a total population of around 20,247 and the population is expected to increase as there are many new residential developments under planning.

The subject locality is a well-established harbor living area surrounded by residential development, parks, retail, school and other public facilities.

The residential nearby include high-rise apartments and low-rise villas. The average price for residential with age under 20 years range around RMB50,000 — RMB80,000 / sq.m.

Podium retail and street shops are located immediately next to the Property. The average monthly retail rental range around RMB100 — 300 / sq.m. in Yantian District. There is also a grand shopping centre with around 100,000 square meters within walking distance.

The transportation condition is good as the property can be easily reached by public transportation including buses and subway. The Property is located in the middle of Sha Tou Jiao Station and Hai Shan Station of Shenzhen Metro Line 2 within walking distance. Meanwhile the Property is very close to Sha Tau Kok border with around 800 meters away.

According to “Implementation plan for accelerating the construction of the Shenzhen-Hong Kong International Tourism Consumption Cooperation Zone in Sha Tau Kok (2022-2025)” (“加快沙頭角深港國際旅遊消費合作區建設的實施方案(2022-2025)”) issued by Shenzhen government on 23 August 2022, Sha Tau Kok will be developed as a Hong Kong-Shenzhen travelling and retail hub.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (I) Interests and short positions of the Directors and chief executive in Wai Kee and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive of Wai Kee and their respective associates had any interests or short positions in the shares, underlying shares and/or debentures of Wai Kee and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to Wai Kee and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of Wai Kee was taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to Wai Kee and the Stock Exchange.

#### (A) *Wai Kee*

##### *Interests in Shares*

Name of Director	Capacity/ Nature of interest	Number of Shares held		Percentage of the issued ordinary share capital %
		Long position (note 1)	Short position	
Zen Wei Pao, William	Personal	251,248,843 (note 2)	—	31.68
Zen Wei Peu, Derek	Personal	249,424,078 (note 2)	—	31.45
	Securities interest	45,567,000	—	5.75
Wong Che Ming, Steve	Personal	900,000	—	0.11

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are parties to an agreement that is subject to section 317(1)(b) of the SFO. Each of them is thereby deemed to be interested in Shares held by the other. Accordingly, for the purposes of section 317(1)(b) of the SFO, each of Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are deemed to be interested in a total of 500,672,921 shares, representing 63.13% of shares in issue of Wai Kee, as at the Latest Practicable Date.

**(B) Associated corporations**

*Interests in shares*

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of the issued share capital %
			Long position (note 1)	Short position	
Zen Wei Pao, William	Build King	Personal	1,400,000	—	0.11 (note 2)
	Wai Kee (Zens) Construction & Transportation Company Limited (note 4)	Personal	2,000,000	—	10.00
	Wai Luen Stone Products Limited	Personal	30,000	—	37.50
Zen Wei Peu, Derek	Build King	Personal	123,725,228	—	9.96
	Road King	Personal	24,649,000 (note 3)	—	3.29
	Wai Kee (Zens) Construction & Transportation Company Limited (note 4)	Personal	2,000,000	—	10.00
	Wai Luen Stone Products Limited	Personal	30,000	—	37.50
Chiu Wai Yee, Anriena	Build King	Personal	1,116,000	—	0.09
	Road King	Personal	205,000	—	0.03
Wong Che Ming, Steve	Build King	Personal	407,448	—	0.03

*Notes:*

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. As at the Latest Practicable Date, the issued share capital of Build King was 1,241,877,992 shares. Accordingly, the percentage has been adjusted.
3. Included in the balance, 1,000,000 Road King shares are held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
4. With effect from 29 February 2016, the name of Wai Kee (Zens) Construction & Transportation Company Limited has been changed to Build King (Zens) Engineering Limited.

*Interests in debentures*

Name of Director	Name of company	Capacity/ Nature of interest	Type of debenture	Principal amount held
Zen Wei Peu, Derek	RKI Overseas Finance 2017 (A) Limited ( <i>note 1</i> )	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$800,000 ( <i>notes 2 &amp; 3</i> )
	RKPF Overseas 2019 (E) Limited ( <i>note 1</i> )	Personal	US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities	US\$43,900,000 ( <i>notes 2 &amp; 4</i> )
	RKPF Overseas 2019 (A) Limited ( <i>note 1</i> )	Personal	US\$400 million 7.875% guaranteed senior notes	US\$12,000,000 ( <i>notes 2 and 5</i> )
	RKPF Overseas 2019 (A) Limited ( <i>note 1</i> )	Personal	US\$480 million 6.7% guaranteed senior notes	US\$12,500,000 ( <i>notes 2 &amp; 6</i> )
	RKPF Overseas 2019 (A) Limited ( <i>note 1</i> )	Personal	US\$300 million 5.9% guaranteed senior notes	US\$2,000,000 ( <i>notes 2 &amp; 7</i> )
	RKPF Overseas 2019 (A) Limited ( <i>note 1</i> )	Personal	US\$416 million 6% guaranteed senior notes	US\$3,000,000 ( <i>notes 2 &amp; 8</i> )
Chiu Wai Yee, Anriena	RKPF Overseas 2019 (A) Limited ( <i>note 1</i> )	Personal	USD480 million 6.7% guaranteed senior notes	US\$490,000 ( <i>note 2</i> )
Ho Gilbert Chi Hang	RKI Overseas Finance 2017 (A) Limited ( <i>note 1</i> )	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$200,000 ( <i>note 2</i> )
Wong Man Chung, Francis	RKPF Overseas 2019 (A) Limited ( <i>note 1</i> )	Personal	USD480 million 6.7% guaranteed senior notes	US\$2,700,000 ( <i>note 2</i> )

*Notes:*

1. This company is a wholly owned subsidiary of Road King.
2. Long position.
3. The principal amount of US\$400,000 of US\$300 million 7% senior guaranteed perpetual capital securities is held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
4. A principal amount of US\$1,300,000 of US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$42,600,000 of US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such securities has been pledged to an independent third party other than a qualified lender.
5. A principal amount of US\$9,000,000 of US\$400 million 7.875% guaranteed senior notes was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such notes has been pledged to an independent third party other than a qualified lender.
6. A principal amount of US\$3,500,000 of US\$480 million 6.7% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$9,000,000 of US\$480 million 6.7% guaranteed senior notes was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such notes has been pledged to an independent third party other than a qualified lender.
7. A principal amount of US\$1,000,000 of US\$300 million 5.9% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.
8. A principal amount of US\$1,000,000 of US\$416 million 6% guaranteed senior notes was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek. A principal amount of US\$1,000,000 of US\$416 million 6% guaranteed senior notes was held by Talent Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek and interest of such notes has been pledged to an independent third party other than a qualified lender.

**(II) Substantial Shareholders' Interests in Wai Kee**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of Wai Kee, the following persons (other than a Director or chief executive of Wai Kee) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to Wai Kee under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of shares held Long position (note 1)	Short position	Percentage of the issued ordinary share capital %
Cheng Yu Tung Family (Holdings) Limited (note 2)	Corporate	91,134,000	—	11.49
Cheng Yu Tung Family (Holdings II) Limited (note 3)	Corporate	91,134,000	—	11.49
Chow Tai Fook Capital Limited (note 4)	Corporate	91,134,000	—	11.49
Chow Tai Fook (Holding) Limited (note 5)	Corporate	91,134,000	—	11.49
Chow Tai Fook Enterprises Limited (note 6)	Corporate	91,134,000	—	11.49
New World Development Company Limited (note 7)	Corporate	91,134,000	—	11.49
NWS Holdings Limited (note 8)	Corporate	91,134,000	—	11.49
NWS Service Management Limited (incorporated in the Cayman Islands) (note 9)	Corporate	91,134,000	—	11.49
NWS Service Management Limited (incorporated in the British Virgin Islands) (note 10)	Corporate	91,134,000	—	11.49
Vast Earn Group Limited (note 11)	Beneficial owner	91,134,000	—	11.49

*Notes:*

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.
3. Cheng Yu Tung Family (Holdings II) Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of Chow Tai Fook Capital Limited.
4. Chow Tai Fook Capital Limited is deemed to be interested in the shares through its interests in its subsidiary, namely Chow Tai Fook (Holding) Limited.

5. Chow Tai Fook (Holding) Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Chow Tai Fook Enterprises Limited.
6. Chow Tai Fook Enterprises Limited is deemed to be interested in the shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.
7. New World Development Company Limited is deemed to be interested in the shares through its interests in its subsidiary, namely NWS Holdings Limited.
8. NWS Holdings Limited is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the Cayman Islands). Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are executive directors of NWS Holdings Limited.
9. NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the British Virgin Islands). Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are directors of NWS Service Management Limited (incorporated in the Cayman Islands).
10. NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited. Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are directors of NWS Service Management Limited (incorporated in the British Virgin Islands).
11. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands). Both Mr. Cheng Chi Ming, Brian and Mr. Ho Gilbert Chi Hang are directors of Vast Earn Group Limited.

### 3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at Latest Practicable Date, the following Directors were interested in certain businesses (apart from the Wai Kee Group's business) which competes or is likely to compete either directly or indirectly with the Wai Kee Group's business:

<b>Name of Director</b>	<b>Name of entity</b>	<b>Competing business</b>	<b>Nature of interest</b>
Zen Wei Pao, William	CMP Investment Group Limited	Property development in the PRC	Director and shareholder
Cheng Chi Ming, Brian	NWS Holdings Limited group of companies	Construction, toll road and infrastructure	Director
Ho Gilbert Chi Hang	NWS Holdings Limited group of companies	Construction, toll road and infrastructure	Director

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with Wai Kee or any other member(s) of the Wai Kee Group (excluding contracts expiring or which may be terminated by Wai Kee within a year without payment of any compensation (other than statutory compensation)).

#### 5. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Wai Kee Group were made up, acquired or disposed of by or leased to any member of the Wai Kee Group, or are proposed to be acquired or disposed of by or leased to any member of the Wai Kee Group.

As at the Latest Practicable Date, save for the framework agreement dated 30 November 2022 and entered into between Build King (in which Mr. Zen held shares as disclosed in paragraph 2(I)(B) above) and Wai Kee in respect of the purchase by Build King, and sale by Wai Kee, of concrete (the details of which are set out in the circular dated 6 December 2022 of Build King), none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Wai Kee Group.

#### 6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Wai Kee Group) have been entered into by members of the Wai Kee Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) a participation agreement dated 30 November 2021 entered into between RK Properties Holdings Limited ("RKP"), an indirect wholly-owned subsidiary of Road King and Supreme Gain Limited ("Supreme Gain"), an indirect wholly-owned subsidiary of Wai Kee in relation to RKP's grant of the participation rights to Supreme Gain to participate in a pro rata portion of 32.5% of the economic interest attributable to RKP's 70% interest (or 22.75% attributable interest) in a property development project with the parcel of land located at South of Xintang Avenue, Xintang Town, Zengcheng District, Guangzhou, the PRC;
- (b) a purchase and sale agreement dated 23 February 2022 entered into between Wisdom H6 LLC (as the seller), an indirect non-wholly owned subsidiary of Wai Kee, and Asset Development And Management Group, LLC (as the purchaser) in relation to the disposal of the apartment building known as "H6 Apartments" situated at 14805 Grisby Road, Houston, Texas, USA at the purchase price of US\$55,600,000;
- (c) the Investment Agreement; and
- (d) the Extension Agreement.



**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Wai Kee Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Wai Kee Group were made up.

**8. LITIGATION**

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no litigation or claims of material importance was pending or threatened against any member of the Wai Kee Group.

**9. EXPERT AND CONSENT**

The following is the qualification of the experts whose statements have been included in this circular:

<b>Name</b>	<b>Qualification</b>
RHL Appraisal Limited	An independent professional valuer
Deloitte Touche Tohmatsu	Certified public accountants
Beijing Global Law Office	PRC legal adviser

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or opinion or report or reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Wai Kee Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Wai Kee Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Wai Kee Group were made up), acquired or disposed of by or leased to any member of the Wai Kee Group, or which are proposed to be acquired or disposed of by or leased to any member of the Wai Kee Group.

**10. GENERAL**

- (a) The registered office of Wai Kee is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of Wai Kee are situated at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong.

- (c) The branch share registrar of Wai Kee in Hong Kong is Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary is Miss Chiu Wai Yee, Anriena. She is the Company Secretary of Wai Kee. She holds a Bachelor of Administrative Studies Degree and a Master Degree of Professional Accounting. Miss Chiu is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

## 11. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and Wai Kee's website ([www.waikee.com](http://www.waikee.com)) during a period of 14 days from the date of this circular:

- (a) the Investment Agreement;
- (b) the Extension Agreement;
- (c) the valuation report prepared by RHL Appraisal Limited, the text of which is set out in Appendix V to this circular;
- (d) the accountants' report on the Project Company, the text of which is set out in Appendix II to this circular;
- (e) the report on the Unaudited Pro Forma Financial Information, the text of which is set out in Appendix IV to this circular;
- (f) the legal opinion of Beijing Global Law Office dated 23 December 2022; and
- (g) the written consents referred to in the section headed "Experts and Consent" in this appendix.

**WAI KEE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the WK SGM will be held at Unit 1103, 11th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 13 January 2023 at 3:30 p.m. for the purposes of considering and, if thought fit, passing, with or without amendments, the following resolution. Unless the context otherwise requires, terms defined in the circular of Wai Kee dated 23 December 2022 shall have the same meanings when used in this notice.

**ORDINARY RESOLUTION**

**“THAT**

- (i) the Investment Agreement dated 6 October 2022 entered into among Shine Precious, Wise Start, Road King and Build King (as supplemented by the Extension Agreement) and the transactions and possible transactions contemplated thereunder (including but not limited to the Transfer, RK Commitment, Loan Redemption Right and Balancing Transactions) be and are hereby approved; and
- (ii) the Directors be and are hereby authorised for and on behalf of Wai Kee to do all things and acts which they consider necessary, desirable or expedient in connection with the Investment Agreement.”

By order of the Board  
**Wai Kee Holdings Limited**  
**Anriena Chiu Wai Yee**  
*Company Secretary*

Hong Kong, 23 December 2022

*Notes:*

1. For determining the entitlement to attend and vote at the WK SGM to be held on Friday, 13 January 2023, the register of members of Wai Kee will be closed from Thursday, 12 January 2023 to Friday, 13 January 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the WK SGM, all transfers of the shares of Wai Kee accompanied by the relevant share certificates must be lodged with Wai Kee's branch share registrar in Hong Kong, Tricor Secretaries Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:00 p.m. on Wednesday, 11 January 2023.
2. Any member of Wai Kee entitled to attend and vote at a meeting of Wai Kee shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of Wai Kee.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
4. The instrument appointing a proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be delivered to the office of Tricor Secretaries Limited, Wai Kee's branch share registrar in Hong Kong, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong in or by way of note to or in any document accompanying the notice convening the meeting not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
5. Delivery of an instrument appointing a proxy shall not preclude a member of Wai Kee from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. In the case of joint holders of any share, if more than one of such joint holders be present at any 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 Wai Kee in respect of the joint holding.
7. Wai Kee will be undertaking the following precautionary measures to safeguard the health and well-being of the Shareholders (or their proxies) who are attending the WK SGM in person, including body temperature check, health declaration, wearing surgical face mask, access restriction for quarantine participants according to the Department of Health of Hong Kong, plus safe distancing measures for queue management and seating at the meeting venue. To reduce close contact between attendees at the WK SGM, no refreshment will be served at the meeting venue. Any person who refuses to co-operate with the above precautionary measures, or with a body temperature above the reference range quoted by the Department of Health of Hong Kong from time to time, or exhibiting flu-like symptoms, will not be admitted to the meeting venue.