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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 to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**WAI KEE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 610)**

**MAJOR TRANSACTION –  
ACQUISITIONS OF EQUITY INTERESTS IN TWO COMPANIES**

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A letter from the Board is set out on pages 5 to 13 of this circular.

The transactions being the subject matter of this circular have been approved by written shareholders' approval pursuant to the Listing Rules. This circular is being despatched to the Shareholders for information only.

26 July 2023

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## DEFINITIONS

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

“Accountants’ Report A”	the accountants’ report on Target Group A issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IIA to this circular
“Accountants’ Report B”	the accountants’ report on Target Group B issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IIB to this circular
“Acquisitions”	acquisition of 100% equity interests in Target Company A by, and assignment of all shareholder loans from Vendors A to, the Purchaser under Agreement A and acquisition of 100% equity interests in Target Company B by, and assignment of all shareholder loans from Vendor B to, the Purchaser under Agreement B, and each an “Acquisition”
“Agreed Property Value”	the agreed value for the sale and purchase of the Sale Shares and the assignment of the Sale Loans (being HK\$136,532,338 and HK\$232,485,136.46 for Agreement A and Agreement B respectively)
“Agreement A”	the sale and purchase agreement dated 28 April 2023 entered into among the Purchaser, Vendors A and Build King in relation to the acquisition of 100% equity interests in Target Company A and the assignment of shareholder loans
“Agreement B”	the sale and purchase agreement dated 28 April 2023 entered into among the Purchaser, Vendor B and Build King in relation to the acquisition of 100% equity interests in Target Company B and the assignment of shareholder loans
“Announcement”	the joint announcement published by Wai Kee and Build King on 28 April 2023
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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: 00240)
“Build King Group”	Build King and its subsidiaries
“Completion”	completion of the Acquisitions under the SPAs
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Consideration”	the total consideration for the Acquisitions of which initial amount is HK\$369,017,474.46, and where the context requires, the initial consideration for each Acquisition
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of Wai Kee
“Disposal”	the (i) transfer back of the Sale Shares and the re-assignment of the Sale Loans by the Purchaser or (ii) transfer of shares in the Purchaser by Build King and assignment of related loans from the Purchaser and/or members of the Target Groups (as the case may be) to the respective Vendor(s) pursuant to the terms of and following termination of the SPAs (and where the context requires, each SPA)
“Enlarged Group”	the Wai Kee Group and the Target Groups upon Completion
“Government”	the Government of Hong Kong
“Guancheng Asia”	Guancheng Asia Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of Target Company B and was acquired by Target Company B on 26 April 2023
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	21 July 2023, 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
“LSPS”	Land Sharing Pilot Scheme
“LSPS Application”	the application made by the Purchaser in respect of the Sites under LSPS
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“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
“Property(ies) A”	all properties held by Target Group A as at the Latest Practicable Date which are particularly described in the section headed “Information of the Target Groups and Vendors” in the Letter from the Board in this circular

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## DEFINITIONS

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“Property(ies) B”	all properties held by Target Group B as at the Latest Practicable Date which are particularly described in the section headed “Information of the Target Groups and Vendors” in the Letter from the Board in this circular
“Purchaser”	Sky Fortune Investment Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Build King
“Road King”	Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1098)
“Road King Group”	Road King and its subsidiaries
“Sale Loans”	the entire shareholders’ loans owed by each of Target Companies to their respective shareholders (and where the context requires, the entire shareholders’ loans owed by any one Target Company to its shareholders)
“Sale Shares”	all issued share capital of each of Target Companies (and where the context requires, all issued share capital of any one Target Company)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the holder(s) of the Shares
“Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the capital of Wai Kee
“Sites”	Properties A and Properties B, being parcels of land located at Pak Shing Kok Road in Tseung Kwan O, New Territories, Hong Kong with an aggregate site area of 245,628 sq. ft. which were specified for agricultural use as at the Latest Practicable Date
“SPAs” or “Sale and Purchase Agreements”	Agreement A and Agreement B and each a “SPA”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. ft.”	square feet
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Companies”	Target Company A and Target Company B and each a “Target Company”

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## DEFINITIONS

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“Target Company A”	Sky Grant Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Company B”	Real Best Development Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group A”	Target Company A and its subsidiary
“Target Group B”	Target Company B and its subsidiaries
“Target Groups”	Target Group A and Target Group B and each a “Target Group”
“Transactions”	the Acquisitions and possible Disposal
“Unaudited Pro Forma Financial Information”	the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2022 and related notes as set out in Appendix IV to this circular
“US”	the United States of America
“Valuation Report”	the valuation report in respect of the Sites issued by Knight Frank Petty Limited, the text of which is set out in Appendix V to this circular
“Vendor B”	the vendor of Agreement B, namely Ng Yiu Wah
“Vendor(s)”	Vendors A and Vendor B
“Vendors A”	the vendors of Agreement A, namely Shen Qiong, Lo Leung Wai and Leung Kwok Shing
“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
“%”	per cent

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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  
in Hong Kong:*

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

26 July 2023

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION – ACQUISITIONS OF EQUITY INTERESTS IN TWO COMPANIES

#### INTRODUCTION

We refer to the joint announcement of Wai Kee and Build King dated 28 April 2023 in respect of, among others, the acquisitions of entire equity interests in the Target Groups pursuant to the Sale and Purchase Agreements and the joint announcement of Wai Kee and Build King dated 17 May 2023 in relation to the grant of waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange and the delay in dispatch of this circular.

The purpose of this circular is to provide you with, among other things, (i) further details of the Sale and Purchase Agreements; (ii) a valuation report on the Sites; (iii) accountants' report in respect of the Target Groups; (iv) Unaudited Pro Forma Financial Information; and (v) other information as required to be disclosed under the Listing Rules.

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## LETTER FROM THE BOARD

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### SALE AND PURCHASE AGREEMENTS

On 28 April 2023, the Purchaser (a wholly-owned subsidiary of Build King) as purchaser and Build King (as guarantor of the Purchaser) entered into the SPAs with Vendors A and Vendor B respectively. The terms of the SPAs are substantially similar, apart from the identity of the vendor(s) and the target company and the consideration payable. The principal terms of the SPAs (Agreement A and Agreement B) are set out below.

#### *Agreement A*

Vendors : (i) Shen Qiong  
(ii) Lo Leung Wai  
(iii) Leung Kwok Shing

Subject matter and initial consideration : Acquisition of 100% equity interests in Target Company A and assignment of all shareholders' loans from the vendors for HK\$136,532,338 (subject to adjustments).

#### *Agreement B*

Vendor : Ng Yiu Wah

Subject matter and initial consideration : Acquisition of 100% equity interests in Target Company B and assignment of all shareholder's loans from the vendor for HK\$232,485,136.46 (subject to adjustments).

#### **Principal terms of the SPAs**

Adjustment to consideration : The initial consideration for each Acquisition shall be increased (subject to a cap of HK\$10,000 under each SPA) by reference to the amount of prepayments of government rents, rates and utility deposits (if any) and shall be reduced by reference to the amount of total actual and contingent liabilities (including deferred tax liabilities but excluding the Sale Loans subject to that Acquisition) (if any) shown in the completion accounts of the Target Group subject to that Acquisition as at the date of the Completion and to be delivered within 45 days thereafter, each on a dollar for dollar basis.

Based on the audited completion accounts of the Target Groups as at the date of the Completion, the initial consideration for the Acquisitions was adjusted upwards by a total of HK\$20,000.

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## LETTER FROM THE BOARD

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- Payment of consideration and guarantee : The Purchaser shall pay the consideration for each Acquisition in the following manner:
- (i) upon signing of the SPA, 10% of the Agreed Property Value under that SPA (HK\$36,901,747.45 in total for both SPAs) to the Vendor(s)' solicitors as stakeholder (the "**First Payment**");
  - (ii) within 10 working days after the publication of the LSPS Application on the website of the Development Bureau, HK\$12,224,011.22 in total for both SPAs to the Vendor(s)' solicitors as stakeholder (the "**Second Payment**");
  - (iii) within 10 working days after the date of receipt of the formal recommendation from the panel of advisors under the LSPS, HK\$24,562,879.33 in total for both SPAs to the Vendor(s)' solicitors as stakeholder (the "**Third Payment**"); and
  - (iv) on the 30th day after the date on which the Purchaser confirms fulfilment of all conditions subsequent under the SPAs except for condition (iv) below ("**Final Payment Date**") and against the return of the bank guarantee provided by the Purchaser, the balance of the consideration for each Acquisition to the Vendor(s).

The First Payment, the Second Payment and the Third Payment shall only be released to the Vendor(s) of that SPA on or after the Final Payment Date or returned to the Purchaser in the event of termination of the SPA described below.

Build King and the Purchaser agreed to provide corporate and bank guarantees respectively to the Vendor(s) under each SPA for a maximum aggregate liability equivalent to 90% of the Agreed Property Value under that SPA (which is HK\$332,115,727.01 in total under both SPAs) as follows:

- (i) upon signing of that SPA and before the delivery of bank guarantee by the Purchaser, Build King shall provide guarantee for 90% of the Agreed Property Value under that SPA; and
- (ii) upon delivery of the bank guarantee by the Purchaser, Build King's guaranteed obligation will become 60% of the Agreed Property Value while 30% of the Agreed Property Value will be covered by the bank guarantee.

On 23 May 2023, the Purchaser delivered bank guarantees to the Vendors for 30% of the Agreed Property Value under the SPAs.

- Completion : Completion has taken place immediately after signing of the SPAs.

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## LETTER FROM THE BOARD

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Conditions subsequent and termination : Each SPA provides that if any of the following conditions subsequent is not fulfilled (or waived) on or before the below long stop dates as stated for that condition subsequent (or such other date as may be mutually agreed except for (iv) below), that SPA may be terminated by any party to that SPA (in the case of (i) below) or by the Purchaser (in the case of (ii) to (iv) below):

- (i) the support in principle by the Chief Executive in Council of the LSPS Application having been granted on or before 28 October 2025;
- (ii) the members of the Target Group subject to that SPA having given and proved good title to the Properties of that Target Group on or before 28 October 2023;
- (iii) the Purchaser having completed and being satisfied with the results of the due diligence on the business, financial, legal and all other aspects of the Target Group, Sale Shares and Sale Loans subject to that SPA and the Properties of that Target Group on or before 28 October 2023;
- (iv) the warranties and representations given by the Vendor(s) of that SPA are true, accurate and correct and not misleading in all material respects at all times on or before the Final Payment Date; and
- (v) the fulfilment of all conditions subsequent stated in (i) to (iv) above of the other SPA (the long stop date and the termination right of which shall be the same as those of that SPA described above).

All of the above conditions subsequent are capable of being waived by the Purchaser.

Other grounds for termination : Termination on the ground of title defects or requisitions

If the Vendor(s) subject to that SPA are unable or unwilling to remove any objection or comply with any requisition raised and insisted on by the Purchaser or if the title of the Properties subject to that SPA is defective, the Vendor(s) of that SPA is/are entitled to terminate that SPA by giving not less than seven working days' written notice at any time before the expiry of six-month period from the date of the Completion and that SPA shall be automatically terminated upon the expiry of the said notice.

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## LETTER FROM THE BOARD

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### Termination without cause

The Purchaser is entitled to terminate each SPA without cause by giving not less than seven working days' written notice at any time before the expiry of six-month period from the date of the Completion and by paying an administrative fee (being HK\$3,600,000 in total under both SPAs) which the Vendor(s) are entitled to retain out of the First Payment.

### Termination of the other SPA

If one SPA is terminated for any reason, unless the condition (v) above is waived by the Purchaser, the other SPA shall be terminated automatically.

Unwinding of  
Acquisitions (and  
possible Disposal)

: Following termination of a SPA, either (i) the Purchaser may choose to transfer the Sale Shares and the Sale Loans subject to that SPA; or (ii) Build King may transfer all issued shares in the Purchaser and the related loans owed by the Purchaser and/or the Target Group(s) subject to that SPA to the Vendor(s) at respective proportions of Sale Shares from such Vendor(s) within seven working days from the date of termination against the repayment of all payments (namely the First Payment, Second Payment and Third Payment) then held in escrow by the Vendor(s)' solicitors (with interest accruing from the seventh working day from the date of termination) to the Purchaser. However, if the non-fulfilment of the condition subsequent described in (i) above is caused by reason other than (i) the Vendor(s)' breach of that SPA; (ii) the other Vendor(s)' breach of the other SPA; and (iii) the act or omission of any of the Vendors and their respective representatives, the First Payment need not be returned to the Purchaser. The Vendor(s) are also entitled to deduct from the First Payment and to retain the administrative fee if the SPA is terminated without cause by the Purchaser as described above.

At the time of unwinding of each Acquisition described above, the Purchaser shall procure that (i) the financial conditions of the Target Group subject to that SPA be substantially the same as that immediately prior to the Completion (except for the value of the Properties subject to that SPA) and (ii) in respect of the members of the Target Groups or the Purchaser (as the case may be), there being no loans (other than Sale Loans to be re-assigned to the Vendor(s)), liabilities or contract, obligation or binding commitment or guarantee or indemnity subsisting at the time.

Post-completion  
undertaking by the  
Purchaser

: The Purchaser is required to provide quarterly update on the status of the LSPS Application to the Vendor(s) and to notify or deliver to the Vendor(s) notice, document and correspondence from the Inland Revenue Department or filed tax return relating to the members of the Target Groups.

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## LETTER FROM THE BOARD

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### **Basis of the Consideration for the Acquisitions**

The Consideration for the Acquisitions was arrived at after arm's length negotiation among the relevant parties and was determined with reference to (i) the aggregate of preliminary indicative market values of the Properties A and Properties B at HK\$380,000,000 as determined by an independent valuer (and now set out in the Valuation Report); (ii) the consolidated net liability values of Target Group A and Target Group B as at 31 March 2023 (being approximately HK\$150,993,000 in aggregate); and (iii) the face value of the shareholders' loans owed by each of the Target Companies to the Vendor(s) (being approximately HK\$208,128,000 as at 28 April 2023, the date of the SPAs) and to be assigned to the Purchaser. Build King has taken into account the disposal of Sina Max Investment Limited and the acquisition of Guancheng Asia, described under "Information of the Target Groups and Vendors – Information of the Target Groups" below.

The Build King Group has funded and will fund the entire Consideration for the Acquisitions by internal resources.

### **REASONS FOR AND THE BENEFITS OF THE TRANSACTIONS**

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. The Wai Kee Group has from time to time directly or indirectly invested in property projects in the PRC.

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. The Purchaser is a newly incorporated company for the purpose of acquiring the Target Groups. The Build King Group has from time to time directly or indirectly invested in property projects in the PRC.

The Government's LSPS (which was initially open for application from 6 May 2020 to 5 May 2023 and subsequently extended to 5 May 2024) provides, effectively, for the change of land use and increase of plot ratio (and therefore the development potential) of land in the New Territories at potentially a more attractive land premium given that it will be reduced by the costs to development for infrastructure and site formation for the portion of the LSPS that is to be allocated for Government development into public housing or starter homes. Each application will be processed by the Land Sharing Office of the Development Bureau in three stages, namely a 3-month initial vetting stage, followed by a 3-month stage for determining the terms of its recommendation and/or endorsement in principle in relation to the application and, if and to the extent that the application is to be endorsed, a further 30 to 42 months' period for completing the requisite statutory and/or land administration procedures.

The Purchaser has submitted an application under the LSPS in respect of the Sites for the increase of plot ratio and change of use of those Sites. The Sites have an aggregate site area of 245,628 sq. ft. located at Pak Shing Kok Road in Tseung Kwan O, New Territories, Hong Kong. The Sites being in "the green belt zone" are mainly restricted for agricultural use and are currently vacant. The Sites are located between Lohas Park MTR Station and Hang Hau MTR Station and are within walking distance from public transportation facilities. The LSPS policy was launched by the Government as a public-private initiative to unleash development potential of idle private lots in the New Territories for housing development. The LSPS Application proposes to offer formed land, road and other supporting infrastructure for over 3,000 public

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## LETTER FROM THE BOARD

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residential units and over 1,000 private residential units, contributing towards the increase in housing supply in the medium term. The Board considers that, subject to the approval of the LSPS Application, the Build King Group can enjoy potential revenue and profit both from sales of private units developed on site and/or infrastructure and construction works that the Build King Group may undertake in the development of the Sites, while the Build King Group has the right to exit the transactions under the terms of the SPAs with refund of most of the moneys paid.

Nevertheless, as there remains uncertainty as to the actual timing and any additional terms or modifications that may be imposed by the Government during its vetting process and the amount of land premium payable, Build King can only reasonably consider how best to proceed with the development of the Sites having regard to the property development market and the resources available to the Build King Group after the relevant government approvals are obtained.

Having taken into account the terms of the SPAs, including without limitation to (i) the maximum initial cash payments of approximately HK\$74,000,000 into escrow during the period prior to the Final Payment Date; (ii) the maximum cash outlay of approximately HK\$77,000,000 (inclusive of partial consideration, professional costs and stamp duty) which Build King Group may not be able to recover from the Vendors if approvals were not granted and the Acquisitions are to be reversed; (iii) the fact that Build King Group will have control over the Target Groups (and therefore the Sites) in the meantime for processing the LSPS Application; and (iv) the potential upside of future development of the Sites taking into account the size, location and accessibility of the Sites and the LSPS Application as described above; and (v) the fact that Acquisitions by Wai Kee Group (through Build King Group) will provide the Wai Kee Group an opportunity to generate returns to its shareholders, the Directors consider that the terms of the SPAs and the Transactions (including the Acquisitions) are fair and reasonable and in the interests of Wai Kee and its shareholders as a whole.

### INFORMATION OF THE TARGET GROUPS AND VENDORS

#### *Information of the Target Groups*

As at the Latest Practicable Date, each of the Target Companies was principally engaging in property holding of the respective Sites (through itself or its wholly-owned subsidiaries). Target Group A held Properties A being parcels of land with aggregate site area of 86,363 sq. ft. and Target Group B held Properties B being parcels of land with aggregate site area of 159,265 sq. ft. The transactions that took place before the signing of the SPAs and referred to in note 18 to the Accountants' Report B comprised (i) the acquisition at a consideration of approximately HK\$2,626,000 by Target Company B of the entire issued share capital of and shareholders' loan owed by Guancheng Asia which is one of the joint owners of part of Properties B, as shown in the Valuation Report; and (ii) the disposal at a nominal consideration by Target Company B of the entire issued share capital of and shareholders' loan owed by Sina Max Investment Limited which together with its subsidiaries did not carry on any material business prior to disposal. The purposes of those transactions were to ensure that the Build King Group will acquire effective ownership of all of Properties B (including the companies that are registered owners of that site) but not any other unrelated non property holding companies before entering into Agreement B with the Purchaser.

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## LETTER FROM THE BOARD

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Set out below is the consolidated financial information of each of the Target Groups as extracted from the Accountants' Report A and Accountants' Report B for the two financial years ended 31 March 2022 and 2023:

	For the year ended	
	31 March	
	2022	2023
	HK\$'000	HK\$'000
<b>Target Group A</b>		
Net profit (loss) before taxation	(16)	(16)
Net profit (loss) after taxation	(16)	(16)
<b>Target Group B</b>		
Net profit (loss) before taxation	(1,562)	(48)
Net profit (loss) after taxation	(1,562)	(48)

*Note:* Guancheng Asia which was acquired by Target Company B in April 2023 recorded loss of HK\$8,000 for each of the two financial years ended 31 March 2022 and 2023, as shown in Appendix IIC. The consolidated losses of Sina Max Investment Limited and its subsidiaries ("Sina Max Group") for each of the two financial years ended 31 March 2022 and 2023 were HK\$29,000 and HK\$23,000 respectively.

The consolidated net liabilities of Target Group A and Target Group B as at 31 March 2023 extracted from the Accountants' Report A and Accountants' Report B was approximately HK\$169,000 and HK\$150,824,000 respectively and the properties were booked at cost. The consolidated net liabilities of Guancheng Asia as at 31 March 2023 extracted from Appendix IIC was approximately HK\$37,000. The net book value of the Sina Max Group as at 31 March 2023 was approximately zero.

### *Information of the Vendors*

As at the date of the Announcement, Target Company A was owned as to 50%, 25% and 25% by Shen Qiong, Lo Leung Wai and Leung Kwok Shing respectively, and Target Company B was owned as to 100% by Ng Yiu Wah. Each of the Vendors is a natural person in Hong Kong.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, (i) each of the Vendors and the Target Groups (and their respective ultimate beneficial owners) are third parties independent of Wai Kee and connected persons of Wai Kee; and (ii) there has been no material loan arrangement between (a) the Vendors; and (b) Wai Kee, any connected person at Wai Kee's level, and/or any connected person at the subsidiary level of Wai Kee (to the extent that such subsidiary/subsidiaries is/are involved in the transaction).

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE ACQUISITIONS

Upon Completion, each of the Target Companies and their respective subsidiaries has become a subsidiary of Build King and Wai Kee and their financial results have been consolidated into that of the Build King Group and the Wai Kee Group.

### IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisitions are more than 25% but are all less than 100% for Wai Kee, the Acquisitions constitute a major transaction for Wai Kee and are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholder is required to abstain from voting if Wai Kee was to convene a general meeting for the approval of the Transactions. On 28 April 2023, Wai Kee received a written approval of the Transactions from Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek, being brothers and a closely allied group of shareholders of Wai Kee, each holding 249,130,843 shares and 249,424,078 shares of Wai Kee respectively and together holding 498,554,921 shares of Wai Kee, representing approximately 62.86% of the issued share capital of Wai Kee as at 28 April 2023, carrying rights to vote at a general meeting of Wai Kee. Accordingly, pursuant to Rule 14.44 of the Listing Rules, Wai Kee will not convene general meeting for the purpose of approving the Transactions.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**Zen Wei Pao, William**  
*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 2020, 2021 and 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 2020 (pages 72 to 194):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200103.pdf>
- (ii) Annual report for the year ended 31 December 2021 (pages 76 to 202):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042101183.pdf>
- (iii) Annual report for the year ended 31 December 2022 (pages 78 to 202):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0417/2023041700935.pdf>

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

As more mega projects are rolled out by the Hong Kong Government, it will benefit the construction division in the short and medium term. The progress on most active projects is good which are generating satisfactory results in the construction division. It is cautiously optimistic that the performance of the construction division in 2023 will be better than that in 2022.

It is expected that both the construction materials and quarrying divisions will make positive contribution to the Wai Kee Group in 2023 as there is significant reduction of operational costs for the divisions. However, the performance for the quarrying division in 2023 will heavily rely on the volume of rock imported to Lam Tei Quarry for further processing as the site formation works at Lam Tei Quarry was substantially completed.

The Wai Kee Group set foot in the US property market since 2014 which captured the booming of US property market and obtained good returns for the whole portfolio. In consideration of the uncertainty of the US economy of the numerous unfavorable factors including high inflation, steep interest rates, recession fears, the Wai Kee Group will take conservative approach in making any new investment in US property market after the completion of disposals of the last two US properties in 2022.

For other investments made by the Wai Kee Group, it will monitor closely their performance and review the investment strategy periodically. The Wai Kee Group will take conservative approach in making new investment decision.

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

At the close of business on 31 May 2023, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement, the Wai Kee Group had the following indebtedness:

- (a) Unsecured and unguaranteed bank loans of approximately HK\$78 million;
- (b) Unsecured bank loans of approximately HK\$1,397.7 million and bank loans of approximately HK\$54.9 million which were secured by pledged deposits and bank loan of approximately HK\$45.0 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 HK\$23.0 million;
- (d) Unsecured and unguaranteed amounts due to associates of approximately HK\$24.0 million;
- (e) Unsecured and unguaranteed amounts due to other partners of joint operations of approximately HK\$1.2 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\$127.4 million;
- (h) Unsecured and unguaranteed lease liabilities of approximately HK\$72.5 million;
- (i) Unguaranteed lease liabilities of approximately HK\$62.1 million were secured by rental deposits of approximately HK\$9.9 million;
- (j) Charge of bank deposits of approximately HK\$11.3 million were pledged for issuing the banking facilities granted to the Wai Kee Group; and
- (k) Quoted debt securities of approximately HK\$233.1 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 May 2023.

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

Following Completion, Wai Kee Group's equity interest in the Target Groups will be accounted for as subsidiary of Build King and 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 Sale and Purchase Agreements.

As at 31 December 2022, the Wai Kee Group had audited total assets, total liabilities and net assets of approximately HK\$17.6 billion, HK\$6.7 billion and HK\$10.9 billion, respectively. According to the Unaudited Pro Forma Financial Information, upon Completion, the total assets and total liabilities of the Enlarged Group would have increased to approximately HK\$17.9 billion and HK\$7.0 billion, respectively. The net assets of the Enlarged Group would have remained unchanged. There is an insignificant immediate effect on the earnings of the Wai Kee Group.

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

Since 31 December 2022, being the date to which the latest published audited accounts of the Wai Kee Group have been made up, save for the Acquisitions and the formation of joint venture by the Build King Group through the acquisition in January 2023 of 20% equity interest in, and shareholders loan, owed by Rainbow Triumph Limited for a consideration of approximately HK\$800 million that was the subject matter of Wai Kee's shareholder circular dated 23 December 2022, 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.

**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 Sale and Purchase Agreements, 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.*



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF  
SKY GRANT INVESTMENT LIMITED AND ITS SUBSIDIARY  
TO THE DIRECTORS OF WAI KEE HOLDINGS LIMITED**

**Introduction**

We report on the historical financial information of Sky Grant Investment Limited ("Sky Grant") and its subsidiary (together, the "Sky Grant Group") set out on pages IIA-4 to IIA-15, which comprises the consolidated statements of financial position of the Sky Grant Group as at 31 March 2021, 2022 and 2023, the statements of financial position of Sky Grant as at 31 March 2021, 2022 and 2023, the consolidated statements of profit or loss and other comprehensive income and the consolidated statements of changes in equity of the Sky Grant Group for each of the three years ended 31 March 2023 (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 IIA-4 to IIA-15 forms an integral part of this report, which has been prepared for inclusion in the circular of Wai Kee Holdings Limited ("Wai Kee") dated 26 July 2023 (the "Circular") in connection with the Major Transaction - Acquisitions of Equity Interests in Two Companies (as defined in the Circular).

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

The directors of Sky Grant are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of Sky Grant 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 Wai Kee are responsible for the contents of this Circular in which the Historical Financial Information of the Sky Grant Group is included, and such information is prepared based on accounting policies materially consistent with those of Wai Kee.

**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 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 Sky Grant, 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 Sky Grant Group's financial position as at 31 March 2021, 2022 and 2023, of Sky Grant's financial position as at 31 March 2021, 2022 and 2023 and of the Sky Grant Group's financial performance for the Relevant Periods in accordance with the basis of preparation 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 IIA-3 have been made.

#### *Dividends*

We refer to Note 7 to the Historical Financial Information which states that no dividend was declared or paid by Sky Grant in respect of the Relevant Periods.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
26 July 2023

**HISTORICAL FINANCIAL INFORMATION OF THE SKY GRANT 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 Sky Grant 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 AND OTHER COMPREHENSIVE INCOME

	NOTE	Year ended 31 March		
		2021	2022	2023
		HK\$'000	HK\$'000	HK\$'000
Administrative expenses and loss for the year	5	<u>(44)</u>	<u>(16)</u>	<u>(16)</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
	NOTES	2021	2022	2023
		HK\$'000	HK\$'000	HK\$'000
<b>Current asset</b>				
Inventories	9	19,474	19,474	19,474
<b>Current liability</b>				
Amounts due to shareholders	10	<u>(19,611)</u>	<u>(19,627)</u>	<u>(19,643)</u>
<b>Net current liabilities</b>		<u>(137)</u>	<u>(153)</u>	<u>(169)</u>
<b>Capital and reserves</b>				
Share capital	11	1	1	1
Accumulated losses		<u>(138)</u>	<u>(154)</u>	<u>(170)</u>
		<u>(137)</u>	<u>(153)</u>	<u>(169)</u>

## STATEMENTS OF FINANCIAL POSITION OF SKY GRANT

	NOTES	As at 31 March		
		2021	2022	2023
		HK\$'000	HK\$'000	HK\$'000
<b>Non-current asset</b>				
Interest in a subsidiary		—*	—*	—*
<b>Current asset</b>				
Inventories	9	15,647	15,647	15,647
<b>Current liability</b>				
Amounts due to shareholders	10	(15,739)	(15,747)	(15,755)
<b>Net current liabilities</b>		<u>(92)</u>	<u>(100)</u>	<u>(108)</u>
		<u>(92)</u>	<u>(100)</u>	<u>(108)</u>
<b>Capital and reserves</b>				
Share capital	11	1	1	1
Accumulated losses	11	<u>(93)</u>	<u>(101)</u>	<u>(109)</u>
		<u>(92)</u>	<u>(100)</u>	<u>(108)</u>

\* Less than HK\$1,000

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Sky Grant		
	Share capital	Accumulated losses	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2020	1	(94)	(93)
Loss for the year	<u>—</u>	<u>(44)</u>	<u>(44)</u>
At 31 March 2021	1	(138)	(137)
Loss for the year	<u>—</u>	<u>(16)</u>	<u>(16)</u>
At 31 March 2022	1	(154)	(153)
Loss for the year	<u>—</u>	<u>(16)</u>	<u>(16)</u>
At 31 March 2023	<u><u>1</u></u>	<u><u>(170)</u></u>	<u><u>(169)</u></u>

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

Sky Grant Investment Limited (“Sky Grant”) was incorporated in the British Virgin Islands (the “BVI”) with limited liability on 9 June 2015. Its registered office is located at OMC Chambers, Wickhams Cay I, Road Town, Tortola, BVI. Its principal place of business is located at Units 601-605A, 6th Floor, Tower B, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. Sky Grant acts as an investment holding company and its subsidiary is principally engaged in property trading in Hong Kong.

During the Relevant Periods, the shareholders of Sky Grant were Shen Qiong, Lo Leung Wai and Leung Kwok Shing (collectively referred to as the “Former Shareholders”). On 28 April 2023, Build King Holdings Limited (“Build King”), a non wholly-owned subsidiary of Wai Kee Holdings Limited (“Wai Kee”), Sky Fortune Investment Limited (“Sky Fortune”), a wholly-owned subsidiary of Build King, and the Former Shareholders entered into a sale and purchase agreement regarding the acquisition of entire issued share capital of and shareholders’ loan owed by Sky Grant. Since then, the immediate holding company Sky Grant becomes Sky Fortune, which is incorporated in the Hong Kong with limited liability. The ultimate and intermediate holding companies of Sky Grant become Wai Kee and Build King, respectively, which are incorporated in Bermuda as exempted companies with their shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Historical Financial Information of Sky Grant and its subsidiary (collectively referred to as the “Sky Grant Group”) is presented in Hong Kong dollar (“HK\$”), which is the same as Sky Grant’s functional currency.

No consolidated statements of cash flows are presented as the Sky Grant Group did not have any cash transactions during the Relevant Periods.

**2. BASIS OF PREPARATION 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 issued by the HKICPA.

No statutory financial statements of Sky Grant have been prepared in respect of the Relevant Periods as it is incorporated in the jurisdiction where there is no statutory audit requirement.

In preparation of the Historical Financial Information, the directors of Sky Grant have given due and careful consideration to the future liquidity of the Sky Grant Group in light of the Sky Grant Group’s net current liabilities of HK\$169,000 as at 31 March 2023. In the opinion of the directors of Sky Grant, the Historical Financial Information has been prepared on a going concern basis as Sky Grant’s intermediate holding company, Build King, has agreed on 26 July 2023 to provide adequate funds to enable the Sky Grant 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 Sky Grant Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the Sky Grant Group’s accounting period beginning on 1 April 2022 throughout the Relevant Periods.

*New and amendments to HKFRSs in issue but not yet effective*

At the date of this report, the following new and amendments to HKFRSs have been issued which are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to 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 Sky Grant anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the Sky Grant Group's consolidated financial position and consolidated financial performance and Sky Grant's financial position 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. 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 Sky Grant 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 Sky Grant and a entity controlled by Sky Grant. Control is achieved when Sky Grant:

- 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 Sky Grant 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 Sky Grant Group obtains control over the subsidiary and ceases when the Sky Grant 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 Sky Grant Group gains control until the date when the Sky Grant Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of a subsidiary to bring their accounting policies in line with the Sky Grant Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses relating to transactions between members of the Sky Grant Group are eliminated in full on consolidation.

**Interest in a subsidiary**

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

**Inventories**

Inventories represent leasehold lands held for sale. The carrying amount of leasehold lands is measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land.

**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 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 Sky Grant 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 Sky Grant 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 Sky Grant Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognised in profit or loss.

### **Financial instruments**

Financial liability is 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 liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability are added to or deducted from the fair value of the financial liability, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a 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 liability 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 Sky Grant are recognised at the proceeds received, net of direct issue costs.

*Financial liability*

Financial liability is subsequently measured at amortised cost using the effective interest method.

*Financial liability at amortised cost*

Financial liability representing amounts due to shareholders is subsequently measured at amortised cost, using the effective interest method.

*Derecognition of financial liability*

The Sky Grant Group derecognises financial liability when, and only when, the Sky Grant 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.

**5. LOSS FOR THE YEAR**

	<b>Year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year has been arrived at after charging:			
Directors' emoluments	—	—	—
Auditor's remuneration (note)	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

Note: No auditor's remuneration has been incurred since there is no statutory audit requirement for Sky Grant.

**6. TAXATION**

No provision for Hong Kong Profits Tax is made in the consolidated financial statements as the Sky Grant Group did not have any assessable profits for the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the loss for the year per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>Year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(44)	(16)	(16)
	<u>(44)</u>	<u>(16)</u>	<u>(16)</u>
Tax credit at the Hong Kong Profits Tax rate of 16.5%	(7)	(3)	(3)
Tax effect of expenses not deductible for tax purpose	7	3	3
	<u>—</u>	<u>—</u>	<u>—</u>
Taxation for the year	<u>—</u>	<u>—</u>	<u>—</u>

**7. DIVIDENDS**

No dividend was paid or declared by Sky Grant or its subsidiary in respect of the Relevant Periods.

**8. EARNINGS PER SHARE**

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

**9. INVENTORIES**

	<b>2021</b>	<b>As at 31 March</b>	
	<b>2022</b>	<b>2023</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>The Sky Grant Group</b>			
Leasehold lands held for sale	19,474	19,474	19,474
<b>Sky Grant</b>			
Leasehold lands held for sales	15,647	15,647	15,647

The leasehold lands are all located in Hong Kong and are measured at cost model in accordance with the accounting policy of inventories. No depreciation charge is made on the leasehold lands taking into account the estimated residual values at each reporting dates.

**10. AMOUNTS DUE TO SHAREHOLDERS****The Sky Grant Group**

The amounts due to shareholders are interest-free, unsecured and repayable on demand.

**Sky Grant**

The amounts due to shareholders are interest-free, unsecured and repayable on demand.

**11. SHARE CAPITAL AND RESERVES**

Details of Sky Grant's shares are disclosed as follows:

	<b>Number of shares</b>	<b>Share capital <i>US\$'000</i></b>	<b>Share capital <i>HK\$'000</i></b>
Ordinary shares of US\$1 each			
<b>Authorised</b>			
At 1 April 2020, 31 March 2021, 2022 and 2023	100	— <sup>^</sup>	1
<b>Issued and fully paid</b>			
At 1 April 2020, 31 March 2021, 2022 and 2023	100	— <sup>^</sup>	1

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

## Accumulated losses of Sky Grant

	<b>Accumulated losses</b> <i>HK\$'000</i>
At 1 April 2020	57
Loss for the year	<u>36</u>
At 31 March 2021	93
Loss for the year	<u>8</u>
At 31 March 2022	101
Loss for the year	<u>8</u>
At 31 March 2023	<u><u>109</u></u>

**12. CAPITAL RISK MANAGEMENT**

The Sky Grant Group manages its capital to ensure that entities in the Sky Grant 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 Sky Grant Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Sky Grant Group consists of debt, which represents amounts due to shareholders in Note 10, and equity comprising issued capital and reserves attributable to owners of Sky Grant.

The management of the Sky Grant Group reviews the capital structure periodically. The management of the Sky Grant Group also balances its overall capital structure through new shareholders' loans.

**13. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments****The Sky Grant Group**

	<b>As at 31 March</b>		
	<b>2021</b> <i>HK\$'000</i>	<b>2022</b> <i>HK\$'000</i>	<b>2023</b> <i>HK\$'000</i>
Financial liability			
Financial liability at amortised cost	<u>19,611</u>	<u>19,627</u>	<u>19,643</u>

**Sky Grant**

	As at 31 March		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liability			
Financial liability at amortised cost	15,739	15,747	15,755

**(b) Financial risk management objectives and policies****Liquidity risk**

The Sky Grant Group's financial liability as at 31 March 2021, 2022 and 2023 represent amounts due to shareholders which are repayable on demand.

The consideration of going concern assessment prepared by the directors of Sky Grant is set out in note 2.

Other than liquidity risk, the directors of Sky Grant consider the financial risks are low.

**14. RELATED PARTY TRANSACTIONS**

Details of the Sky Grant Group's outstanding balance with related party are set out in the consolidated statements of financial position and note 10.

**15. PARTICULARS OF SUBSIDIARY**

At the date of this report, Sky Grant has a direct shareholding in the following subsidiary:

Name of subsidiary	Place and date of incorporation	Issued and fully paid capital	Equity interest attributable to Sky Grant as at			The date of approval of this report	Principal activities
			As at 31 March				
			2021	2022	2023		
Amazing Express Asia Limited	BVI 12 June 2015	US\$1	100%	100%	100%	100%	Property trading

The subsidiary now comprising the Sky Grant Group is a limited liability company and has adopted the financial year end date of Sky Grant as its financial year end date.

No audited financial statements have been prepared for the subsidiary now comprising the Sky Grant Group since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirements under the relevant rules and regulations.

**16. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Sky Grant Group, Sky Grant or its subsidiary have been prepared in respect of any period subsequent to the end of the Relevant Periods.

*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.*



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF  
REAL BEST DEVELOPMENT LIMITED AND ITS SUBSIDIARIES  
TO THE DIRECTORS OF WAI KEE HOLDINGS LIMITED**

**Introduction**

We report on the historical financial information of Real Best Development Limited (“Real Best”) and its subsidiaries (together, the “Real Best Group”) set out on pages IIB-4 to IIB-18, which comprises the consolidated statements of financial position of the Real Best Group as at 31 March 2021, 2022 and 2023, the statements of financial position of Real Best as at 31 March 2021, 2022 and 2023, the consolidated statements of profit or loss and other comprehensive income and the consolidated statements of changes in equity of the Real Best Group for each of the three years ended 31 March 2023 (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 IIB-4 to IIB-18 forms an integral part of this report, which has been prepared for inclusion in the circular of Wai Kee Holdings Limited (“Wai Kee”) dated 26 July 2023 (the “Circular”) in connection with the Major Transaction - Acquisitions of Equity Interests in Two Companies (as defined in the Circular).

**Director’s responsibility for the Historical Financial Information**

The director of Real Best is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the director of Real Best determines 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 Wai Kee are responsible for the contents of this Circular in which the Historical Financial Information of the Real Best Group is included, and such information is prepared based on accounting policies materially consistent with those of Wai Kee.

**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 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 director of Real Best, 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 Real Best Group's financial position as at 31 March 2021, 2022 and 2023, of Real Best's financial position as at 31 March 2021, 2022 and 2023 and of the Real Best Group's financial performance for the Relevant Periods in accordance with the basis of preparation 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 IIB-3 have been made.

#### *Dividends*

We refer to Note 7 to the Historical Financial Information which contains information about the dividends declared by Real Best in respect of the Relevant Periods.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
26 July 2023

**HISTORICAL FINANCIAL INFORMATION OF THE REAL BEST 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 Real Best 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 AND OTHER COMPREHENSIVE INCOME

	NOTE	Year ended 31 March		
		2021	2022	2023
		HK\$'000	HK\$'000	HK\$'000
Revenue		—	—	87
Cost of sales		—	—	(101)
		—	—	(14)
Administrative expenses		(135)	(32)	(34)
Other expenses		—	(1,530)	—
Loss for the year	5	<u>(135)</u>	<u>(1,562)</u>	<u>(48)</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 March		
		2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
<b>Non-current asset</b>				
Deposit paid		<u>69</u>	<u>28</u>	<u>28</u>
<b>Current asset</b>				
Inventories	9	<u>39,074</u>	<u>39,175</u>	<u>39,074</u>
<b>Current liabilities</b>				
Amount due to a shareholder	10	39,181	40,284	189,926
Accruals		<u>108</u>	<u>627</u>	<u>—</u>
		<u>39,289</u>	<u>40,911</u>	<u>189,926</u>
<b>Net current liabilities</b>		<u>(215)</u>	<u>(1,736)</u>	<u>(150,852)</u>
		<u>(146)</u>	<u>(1,708)</u>	<u>(150,824)</u>
<b>Capital and reserves</b>				
Share capital	11	—*	—*	—*
Accumulated losses		<u>(146)</u>	<u>(1,708)</u>	<u>(150,824)</u>
		<u>(146)</u>	<u>(1,708)</u>	<u>(150,824)</u>

\* Less than HK\$1,000

## STATEMENTS OF FINANCIAL POSITION OF REAL BEST

	NOTES	As at 31 March		
		2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
<b>Non-current asset</b>				
Interests in subsidiaries		<u>38,964</u>	<u>38,964</u>	<u>38,964</u>
<b>Current asset</b>				
Amounts due from subsidiaries	10	197	1,290	150,962
<b>Current liability</b>				
Amount due to a shareholder	10	<u>(39,181)</u>	<u>(40,284)</u>	<u>(189,926)</u>
<b>Net current liabilities</b>				
		<u>(38,984)</u>	<u>(38,994)</u>	<u>(38,964)</u>
		<u>(20)</u>	<u>(30)</u>	<u>—</u>
<b>Capital and reserves</b>				
Share capital	11	—*	—*	—*
Accumulated losses	11	<u>(20)</u>	<u>(30)</u>	<u>—</u>
		<u>(20)</u>	<u>(30)</u>	<u>—</u>

\* Less than HK\$1,000

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of Real Best		
	Share capital	Accumulated losses	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2020	—*	(11)	(11)
Loss for the year	—	(135)	(135)
At 31 March 2021	—*	(146)	(146)
Loss for the year	—	(1,562)	(1,562)
At 31 March 2022	—*	(1,708)	(1,708)
Loss for the year	—	(48)	(48)
Dividend declared (note 7)	—	(149,068)	(149,068)
At 31 March 2023	—*	(150,824)	(150,824)

\* Less than HK\$1,000

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

Real Best Development Limited (“Real Best”) was incorporated in the British Virgin Islands (the “BVI”) with limited liability on 2 July 2019. Its registered office is located at OMC Chambers, Wickhams Cay I, Road Town, Tortola, BVI. Its principal place of business is located at Units 601-605A, 6th Floor, Tower B, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. Real Best acts as an investment holding company and its subsidiaries are principally engaged in property trading in Hong Kong.

During the Relevant Periods, the shareholder of Real Best was Ng Yiu Wah (the “Former Shareholder”). On 28 April 2023, Build King Holdings Limited (“Build King”), a non wholly-owned subsidiary of Wai Kee Holdings Limited (“Wai Kee”), Sky Fortune Investment Limited (“Sky Fortune”), a wholly-owned subsidiary of Build King and the Former Shareholder entered into a sale and purchase agreement regarding the acquisition of entire issued share capital of and shareholder’s loan owed by Real Best. Since then, the immediate holding company of Real Best become Sky Fortune, which is incorporated in the Hong Kong with limited liability. The ultimate and intermediate holding company of Real Best become Wai Kee and Build King, respectively, which are incorporated in Bermuda as exempted companies with their shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Historical Financial Information of Real Best and its subsidiaries (collectively referred to as the “Real Best Group”) is presented in Hong Kong dollar (“HK\$”), which is same as Real Best’s functional currency.

No consolidated statements of cash flows are presented as the Real Best Group did not have any cash transactions during the Relevant Periods.

**2. BASIS OF PREPARATION 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 issued by HKICPA.

No statutory financial statements of Real Best have been prepared in respect of the Relevant Periods as it is incorporated in the jurisdiction where there is no statutory audit requirement.

In preparation of the Historical Financial Information, the director of Real Best have given due and careful consideration to the future liquidity of the Real Best Group in light of the Real Best Group’s net current liabilities of HK\$150,852,000 as at 31 March 2023. In the opinion of the director of Real Best, the Historical Financial Information has been prepared on a going concern basis as Real Best’s intermediate holding company, Build King, has agreed on 26 July 2023 to provide adequate funds to enable the Real Best 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 Real Best Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the Real Best Group’s accounting period beginning on 1 April 2022 throughout the Relevant Periods.

*New and amendments to HKFRSs in issue but not yet effective*

At the date of this report, the following new and amendments to HKFRSs have been issued which are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to 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 director of Real Best anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the Real Best Group's consolidated financial position and consolidated financial performance and Real Best's financial position 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. 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 Real Best 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 Real Best and entities controlled by Real Best. Control is achieved when Real Best:

- 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 Real Best 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 Real Best Group obtains control over the subsidiary and ceases when the Real Best 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 Real Best Group gains control until the date when the Real Best Group ceases to control the subsidiary.

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

All intragroup assets, liabilities, equity, income, expenses relating to transactions between members of the Real Best Group are eliminated in full on consolidation.

**Asset acquisitions***Optional concentration test*

The Real Best Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

*Asset acquisitions*

When the Real Best Group acquires a group of assets and liabilities that do not constitute a business, the Real Best Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

**Interest in subsidiaries**

Interest in subsidiaries are stated at cost less any identified impairment loss.

**Revenue from contracts with customers**

The Real Best Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or 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 Real Best Group’s performance as the Real Best Group performs;
- the Real Best Group’s performance creates or enhances an asset that the customer controls as the Real Best Group performs; or
- the Real Best Group’s performance does not create an asset with an alternative use to the Real Best Group and the Real Best 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 good or service.

**Inventories**

Inventories represent leasehold lands held for sale. The carrying amount of leasehold lands is measured at cost less any accumulated depreciation and impairment losses. The residual values are determined as the estimated disposal value of the leasehold land.

**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 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 Real Best 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 Real Best 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 Real Best Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognised in profit or loss.

### **Financial instruments**

Financial asset and financial liability is 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 asset and financial liability are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability are added to or deducted from the fair value of the financial asset or financial liability, 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 asset**

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

Financial asset 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.

The Real Best Group's financial asset is subsequently measured at amortised cost.

#### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial asset 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 asset that have subsequently become credit-impaired (see below). For financial asset 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 asset subject to impairment assessment under HKFRS 9*

The Real Best Group performs impairment assessment under expected credit loss (“ECL”) model on financial asset (including amounts due from subsidiaries) 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.

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 Real Best Group in accordance with the contract and the cash flows that the Real Best Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Real Best Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, where the corresponding adjustment is recognised through a loss allowance account.

*Derecognition of financial asset*

The Real Best Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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 liability 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 Real Best are recognised at the proceeds received, net of direct issue costs.

*Financial liability*

Financial liability is subsequently measured at amortised cost using the effective interest method.

*Financial liability at amortised cost*

Financial liability representing amount due to a shareholder is subsequently measured at amortised cost, using the effective interest method.

*Derecognition of financial liability*

The Real Best Group derecognises financial liability when, and only when, the Real Best 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.

**5. LOSS FOR THE YEAR**

	<b>Year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year has been arrived at after charging:			
Director's emoluments	—	—	—
Auditor's remuneration (Note)	18	—	—
Professional fees	—	1,530	—
	<u>          </u>	<u>          </u>	<u>          </u>

Note: During the year ended 31 March 2021, an auditor's report has been issued for a subsidiary of the Real Best Group.

**6. TAXATION**

No provision for Hong Kong Profits Tax is made in the consolidated financial statements as the Real Best Group did not have any assessable profit for the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the loss for the year per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>Year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(135)	(1,562)	(48)
	<u>          </u>	<u>          </u>	<u>          </u>
Tax credit at the Hong Kong Profits Tax rate of 16.5%	(22)	(258)	(8)
Tax effect of expenses not deductible for tax purpose	22	258	8
	<u>          </u>	<u>          </u>	<u>          </u>
Taxation for the year	—	—	—
	<u>          </u>	<u>          </u>	<u>          </u>

**7. DIVIDENDS**

During the year ended 31 March 2023, Real Best declared a dividend of approximately HK\$149,068,000 to its shareholders. No dividend was declared or paid by Real Best for the year ended 31 March 2021 and 2022. The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

**8. EARNINGS PER SHARE**

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

## 9. INVENTORIES

	As at 31 March		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold lands held for sale	39,074	39,175	39,074

The leasehold lands are all located in Hong Kong and measured at cost model in accordance with accounting policies of inventories. No depreciation charge is made on the leasehold lands taking into account the estimated residual values at each reporting dates.

## 10. AMOUNT(S) DUE TO (FROM) A SHAREHOLDER/SUBSIDIARIES

**The Real Best Group**

The amount due to a shareholder is interest-free, unsecured and repayable on demand.

**Real Best**

The amounts due from subsidiaries are interest-free, unsecured and repayable on demand.

Details of assessment on impairment of amounts due from subsidiaries are set out in note 14(b).

The amount due to a shareholder is interest-free, unsecured and repayable on demand.

## 11. SHARE CAPITAL

Details of Real Best'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 1 April 2020, 31 March 2021, 2022 and 2023	1	— <sup>^</sup>	— <sup>*</sup>
<b>Issued and fully paid</b>			
At 1 April 2020, 31 March 2021, 2022 and 2023	1	— <sup>^</sup>	— <sup>*</sup>

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

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

**Accumulated losses of Real Best**

	<b>Accumulated losses</b> <i>HK\$'000</i>
At 1 April 2020	(11)
Loss for the year	<u>(9)</u>
At 31 March 2021	(20)
Loss for the year	<u>(10)</u>
At 31 March 2022	(30)
Profit for the year	149,098
Dividend declared	<u>(149,068)</u>
At 31 March 2023	<u><u>—</u></u>

**12. ACQUISITION OF A SUBSIDIARY**

On 5 November 2020, the Real Best Group acquired the entire issued share capital of and shareholder's loan owed by Sina Max Investment Limited ("Sina Max") and its subsidiaries (collectively referred to as the "Sina Max Group") from an independent third party at a consideration of approximately HK\$38,942,000. The consideration is settled through the current account with the shareholder of Real Best. The principal activity of the Sina Max Group are property trading. The acquisition has been accounted for as acquisition of assets and liabilities.

Assets acquired and liabilities assumed recognised at the date of acquisition are as follows:

	<i>HK\$'000</i>
Inventories	38,963
Deposit paid	69
Accruals	(90)
Shareholder's loan assigned to Real Best	<u>(38,942)</u>
	<u><u>—</u></u>

**13. CAPITAL RISK MANAGEMENT**

The Real Best Group manages its capital to ensure that entities in the Real Best 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 Real Best Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Real Best Group consists of debt, which represents amount due to a shareholder disclosed in Note 10, and equity comprising issued capital and reserves attributable to owners of Real Best.

The management of the Real Best Group reviews the capital structure periodically. The management of the Real Best Group also balances its overall capital structure through new shareholders loans.

## 14. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
<b>The Real Best Group</b>			
Financial liability			
Financial liability at amortised cost	39,181	40,284	189,926
<b>Real Best</b>			
Financial asset			
Financial asset at amortised cost	197	1,290	150,962
Financial liability			
Financial liability at amortised cost	39,181	40,284	189,926

## (b) Financial risk management objectives and policies

*Credit risk management and impairment assessment**Amounts due from subsidiaries*

The credit risk of amounts due from subsidiaries are managed through an internal process. The director of Real Best considers the ECL is immaterial.

*Liquidity risk*

The Real Best Group's and Real Best's financial liabilities as at 31 March 2021, 2022 and 2023 represent amount due to a shareholder which is repayable on demand.

The consideration of going concern assessment prepared by the director of Real Best is set out in note 2.

## 15. RELATED PARTY TRANSACTIONS

Details of the Real Best Group's outstanding balance with related party are set out in the consolidated statements of financial position and note 10.

## 16. PARTICULARS OF SUBSIDIARIES

At the date of this report, Real Best has a direct shareholding in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Issued and fully paid capital	Equity interest attributable to Real Best as at			The date of approval of this report	Principal activities
			As at 31 March 2021	2022	2023		
<i>Directly held:</i>							
Sina Max	Republic of Seychelles 2 March 2015	US\$100	100%	100%	100%	—	Property trading
Able Elegant Limited	Hong Kong 10 July 2020	HK\$1	100%	100%	100%	100%	Property trading
Mega Ample*	BVI 21 May 2015	US\$1	100%	100%	100%	—	Property trading
Mass Million*	BVI 11 May 2015	US\$100	100%	100%	100%	—	Property trading

\* Subsidiaries of Sina Max

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

Able Elegant Limited has issued the financial statements for the year ended 31 March 2021 which is audited by Eddie K. K. Lau CPA Limited. Apart from this, no audited financial statements have been prepared for all subsidiaries now comprising the Real Best Group since their dates of incorporations.

## 17. SUBSEQUENT FINANCIAL STATEMENTS

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

## 18. SUBSEQUENT EVENTS

On 26 April 2023, Real Best acquired the entire issued share capital of and shareholders' loan owed by Guancheng Asia Limited ("Guancheng") from independent third parties at a consideration of approximately HK\$2,626,000. The consideration is settled through the current account with the shareholder of Real Best. The principal activity of Guancheng is property trading.

The historical financial information of Guancheng for the three years ended 31 March 2023 is disclosed in Appendix IIC.

On 26 April 2023, Able Elegant Limited has disposed certain inventories of approximately HK\$6,816,000 to the Former Shareholder at its net book value amount.

On 26 April 2023, Real Best disposed the entire issued share capital of and shareholders' loan owed by the Sina Max Group to the Former shareholder at nil consideration.

*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.*



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF  
GUANCHENG ASIA LIMITED  
TO THE DIRECTORS OF WAI KEE HOLDINGS LIMITED**

**Introduction**

We report on the historical financial information of Guancheng Asia Limited ("Guancheng") set out on pages IIC-4 to IIC-13, which comprises the statements of financial position of Guancheng as at 31 March 2021, 2022 and 2023, and the statements of profit or loss and other comprehensive income and the statements of changes in equity of Guancheng for each of the three years ended 31 March 2023 (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 IIC-4 to IIC-13 forms an integral part of this report, which has been prepared for inclusion in the circular of Wai Kee Holdings Limited ("Wai Kee") dated 26 July 2023 (the "Circular") in connection with the Major Transaction - Acquisitions of Equity Interests in Two Companies (as defined in the Circular).

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

The directors of Guancheng are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of Guancheng 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 Wai Kee are responsible for the contents of this Circular in which the Historical Financial Information of Guancheng is included, and such information is prepared based on accounting policies materially consistent with those of Wai Kee.

**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 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 Guancheng, 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 Guancheng's financial position as at 31 March 2021, 2022 and 2023, and of Guancheng's financial performance for the Relevant Periods in accordance with the basis of preparation 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 IIC-3 have been made.

***Dividends***

We refer to Note 7 to the Historical Financial Information which states that no dividend was declared or paid by Guancheng in respect of the Relevant Periods.

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

26 July 2023

**HISTORICAL FINANCIAL INFORMATION OF GUANCHENG****Preparation of Historical Financial Information**

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

The financial statements of Guancheng 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.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTE</i>	Year ended 31 March		
		2021	2022	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Administrative expenses and loss for the year	5	<u>(10)</u>	<u>(8)</u>	<u>(8)</u>

## STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
	NOTES	2021	2022	2023
		HK\$'000	HK\$'000	HK\$'000
<b>Current asset</b>				
Inventories	9	3,706	3,706	3,706
<b>Current liability</b>				
Amounts due to shareholders	10	<u>(3,727)</u>	<u>(3,735)</u>	<u>(3,743)</u>
<b>Net current liabilities</b>		<u>(21)</u>	<u>(29)</u>	<u>(37)</u>
<b>Capital and reserves</b>				
Share capital	11	1	1	1
Accumulated losses		<u>(22)</u>	<u>(30)</u>	<u>(38)</u>
		<u>(21)</u>	<u>(29)</u>	<u>(37)</u>

## STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Guancheng		
	Share capital	Accumulated losses	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2020	1	(12)	(11)
Loss for the year	<u>—</u>	<u>(10)</u>	<u>(10)</u>
At 31 March 2021	1	(22)	(21)
Loss for the year	<u>—</u>	<u>(8)</u>	<u>(8)</u>
At 31 March 2022	1	(30)	(29)
Loss for the year	<u>—</u>	<u>(8)</u>	<u>(8)</u>
At 31 March 2023	<u><u>1</u></u>	<u><u>(38)</u></u>	<u><u>(37)</u></u>

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

Guancheng Asia Limited (“Guancheng”) was incorporated in the British Virgin Islands (the “BVI”) with limited liability on 2 July 2019. Its registered office is located at OMC Chambers, Wickhams Cay I, Road Town, Tortola, BVI. Its principal place of business is located at Units 601-605A, 6th Floor, Tower B, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. Guancheng acts as an investment holding company and is principally engaged in property trading in Hong Kong.

During the Relevant Periods, the shareholders of Guancheng were Cheng Hiu Leung and Lau Wing Chee (collectively referred to as the “Former Shareholders”). On 26 April 2023, the Former Shareholders and Real Best Development Limited (“Real Best”) entered into a sale and purchase agreement regarding the acquisition of entire issued share capital of and shareholders’ loan owed by of Guancheng. Since then, the immediate holding company of Guancheng becomes Real Best, which is incorporated in the British Virgin Islands with limited liability. On 28 April 2023, Build King Holdings Limited (“Build King”), a non wholly-owned subsidiary of Wai Kee Holdings Limited (“Wai Kee”), Sky Fortune Investment Limited (“Sky Fortune”), a wholly-owned subsidiary of Build King, and Real Best entered into a sale and purchase agreement regarding the acquisition of entire issued share capital of and shareholders’ loan owed by Real Best. Since then, the ultimate and intermediate holding companies of Guancheng become Wai Kee and Build King, respectively, which are incorporated in Bermuda as exempted companies with their shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Historical Financial Information of Guancheng is presented in Hong Kong dollar (“HK\$”), which is the same as Guancheng’s functional currency.

No statements of cash flows are presented as Guancheng did not have any cash transactions during the Relevant Periods.

**2. BASIS OF PREPARATION 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 issued by HKICPA.

No statutory financial statements of Guancheng have been prepared in respect of the Relevant Periods as it is incorporated in the jurisdiction where there is no statutory audit requirement.

In preparation of the Historical Financial Information, the directors of Guancheng have given due and careful consideration to the future liquidity of Guancheng in light of Guancheng’s net current liabilities of HK\$37,000 as at 31 March 2023. In the opinion of the directors of Guancheng, the Historical Financial Information has been prepared on a going concern basis as Guancheng’s intermediate holding company, Build King, has agreed on 26 July 2023 to provide adequate funds to enable Guancheng 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, Guancheng has consistently applied the accounting policies which conform with HKFRSs, which are effective for Guancheng’s accounting period beginning on 1 April 2022 throughout the Relevant Periods.

*New and amendments to HKFRSs in issue but not yet effective*

At the date of this report, the following new and amendments to HKFRSs have been issued which are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to 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 Guancheng anticipate that the application of all the new and amendments to HKFRSs will have no material impact on Guancheng'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. 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, Guancheng 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.

**Inventories**

Inventories represent leasehold lands held for sale. The carrying amount of leasehold lands is measured at cost less any accumulated depreciation and impairment losses. The residual values are determined as the estimated disposal value of the leasehold land.

**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 loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Guancheng'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.

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 Guancheng expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax are recognised in profit or loss.

**Financial instruments**

Financial liability is recognised when Guancheng 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 liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liability are added to or deducted from the fair value of the financial liability, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a 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 liability 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 Guancheng are recognised at the proceeds received, net of direct issue costs.

##### *Financial liability*

Financial liability is subsequently measured at amortised cost using the effective interest method.

##### *Financial liability at amortised cost*

Financial liability representing amounts due to shareholders is subsequently measured at amortised cost, using the effective interest method.

##### *Derecognition of financial liability*

Guancheng derecognises financial liability when, and only when, Guancheng'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.

## **5. LOSS FOR THE YEAR**

	<b>Year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year has been arrived at after charging:			
Directors' emoluments	—	—	—
Auditor's remuneration (note)	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

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

**6. TAXATION**

No provision for Hong Kong Profits Tax is made in the financial statements as Guancheng did not have any assessable profits for the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the loss for the year per the statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(10)	(8)	(8)
Tax credit at the Hong Kong Profits Tax rate of 16.5%	(2)	(1)	(1)
Tax effect of expenses not deductible for tax purpose	2	1	1
Taxation for the year	—	—	—

**7. DIVIDENDS**

No dividend was paid or declared by Guancheng in respect of the Relevant Periods.

**8. EARNINGS PER SHARE**

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

**9. INVENTORIES**

	As at 31 March		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold lands held for sale	3,706	3,706	3,706

The leasehold lands are all located in Hong Kong and are measured at cost model in accordance with the accounting policy of inventories. No depreciation charge is made on the leasehold lands taking into account the estimated residual values at each reporting dates.

**10. AMOUNTS DUE TO SHAREHOLDERS**

The amounts due to shareholders are interest-free, unsecured and repayable on demand.

**11. SHARE CAPITAL**

Details of Guancheng'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 1 April 2020, 31 March 2021, 2022 and 2023	<u>100</u>	<u>—<sup>^</sup></u>	<u>1</u>
<b>Issued and fully paid</b>			
At 1 April 2020, 31 March 2021, 2022 and 2023	<u>100</u>	<u>—<sup>^</sup></u>	<u>1</u>

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

**12. CAPITAL RISK MANAGEMENT**

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

The capital structure of Guancheng consists of debt, which represents amounts due to shareholders disclosed in Note 10, and equity comprising issued capital and reserves attributable to owners of Guancheng.

The management of Guancheng reviews the capital structure periodically. The management of Guancheng also balances its overall capital structure through new shareholders' loans.

**13. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

	As at 31 March		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liability			
Financial liability at amortised cost	<u>3,727</u>	<u>3,735</u>	<u>3,743</u>

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

*Liquidity risk*

Guancheng's financial liability as at 31 March 2021, 2022 and 2023 represent amounts due to shareholders which are repayable on demand.

The consideration of going concern assessment prepared by the directors of Guancheng is set out in note 2.

Other than liquidity risk, the directors of Guancheng consider the financial risks are low.

**14. RELATED PARTY TRANSACTIONS**

Details of Guancheng's outstanding balance with related party are set out in the statement of financial position and note 10.

**15. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of Guancheng have been prepared in respect of any period subsequent to the end of the Relevant Periods.

**16. SUBSEQUENT EVENT**

On 26 April 2023, Guancheng has disposed certain inventories of approximately HK\$1,175,000 to its shareholder at its net book value amount.

*The following management discussion and analysis is based on the financial information included in the accountants' report on Target Group A as set out in Appendix IIA to this circular for the three years ended 31 March 2021, 2022 and 2023 (the "Track Record Period").*

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

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

Target Group A is principally engaged in property trading in Hong Kong.

During the Track Record Period, Target Group A has not generated any revenue from property sales but incurred mandatory government fees and expenses for company registration.

As a result, Target Group A recognized a loss of HK\$44,000, HK\$16,000, and HK\$16,000 for the three years ended 31 March 2021, 2022, and 2023.

### **Financial position**

Throughout the Track Record Period, the assets of Target Group A were lands in Hong Kong held for sale with carrying value of HK\$19.5 million which included land costs, stamp duty and legal expenses. The assets were financed wholly by shareholders' loan of about HK\$19.6 million in aggregate.

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

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

Target Group A did not have any bank balances and cash as at 31 March 2021, 2022, and 2023 respectively. Target Group A obtained funding from its shareholders to finance the purchase of the lands and expenses.

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

The financing of purchase of lands and expenses were provided by shareholders and amounts due to shareholders were HK\$19,611,000, HK\$19,627,000 and HK\$19,643,000 as at 31 March 2021, 2022 and 2023.

Target Group A had not charged any assets as at 31 March 2021, 2022 and 2023.

## **C. CAPITAL COMMITMENT**

As at 31 March 2021, 2022 and 2023, Target Group A did not have any capital commitment.

## **D. CONTINGENT LIABILITIES**

As at 31 March 2021, 2022 and 2023, Target Group A did not have any contingent liabilities.

**E. EMPLOYEES AND REMUNERATION POLICIES**

As of 31 March 2021, 2022 and 2023, Target Group A did not have any employees.

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

Target Group A did not have any significant investments or material acquisitions or disposals of subsidiaries and associated companies during the Track Record Period.

**G. PROSPECTS**

The lands held by Target Group A are specified for agricultural use and currently vacant and form a part of Sites, in respect of which the Build King Group has submitted an application under LSPS for increase of plot ratio and change of use.

*The following management discussion and analysis is based on the financial information included in the accountants' report on Target Group B as set out in Appendix IIB to this circular for the three years ended 31 March 2021, 2022 and 2023 (the "Track Record Period").*

## A. REVIEW OF FINANCIAL RESULTS

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

Target Group B is principally engaged in property trading in Hong Kong.

During the two years ended 31 March 2021 and 2022, Target Group B has not generated any revenue from property sales. During the year ended 31 March 2022, Target Group B incurred professional expenses in relation to an unsuccessful disposal of certain properties. During the year ended 31 March 2023, Target Group B disposed a land at its original purchase cost incurring a loss of HK\$14,000.

As a result, Target Group B recognized a loss of HK\$135,000, HK\$1,562,000 and HK\$48,000 for the three years ended 31 March 2021, 2022 and 2023.

### **Financial position**

Throughout the Track Record Period, the assets of Target Group B were lands in Hong Kong held for sale with carrying value of HK\$39 million which included land costs, stamp duty and legal expenses. The assets were financed wholly by shareholders' loan.

## B. CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

Target Group B did not have any bank balances and cash as at 31 March 2021, 2022 and 2023 respectively. Target Group B obtained funding from its shareholders to finance the purchase of the lands and expenses.

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

The financing of purchase of lands and expenses were provided by a shareholder and amount due to a shareholder was HK\$39,181,000, HK\$40,284,000 and HK\$189,926,000 as at 31 March 2021, 2022 and 2023.

Target Group B had not charged any assets as at 31 March 2021, 2022 and 2023.

## C. CAPITAL COMMITMENT

As at 31 March 2021, 2022 and 2023, Target Group B did not have any capital commitment.

**D. CONTINGENT LIABILITIES**

As at 31 March 2021, 2022 and 2023, Target Group B did not have any contingent liabilities.

**E. EMPLOYEES AND REMUNERATION POLICIES**

As of 31 March 2021, 2022 and 2023, Target Group B did not have any employees.

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

Target Group B did not have any significant investments or material acquisitions or disposals of subsidiaries and associated companies during the Track Record Period.

**G. PROSPECTS**

The lands held by Target Group B are specified for agricultural use and currently vacant and form a part of Sites, in respect of which the Build King Group has submitted an application under LSPS for increase of plot ratio and change of use.

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**APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE ENLARGED GROUP**

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

In connection with the acquisitions of entire issued share capital of the Target Companies by the Purchaser and the assignments of all shareholders' loans owed by Target Companies to Vendors A and Vendor B, respectively, as at the Completion of the acquisitions to the Purchaser under the sale and purchase agreements dated 28 April 2023 entered into between, the Purchaser, the Company (as the Purchaser's guarantor) and each of the Vendors A and Vendor B, respectively, 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 Acquisitions on the Wai Kee Group's assets and liabilities as at 31 December 2022 as if the Acquisitions had taken place at 31 December 2022.

The Unaudited Pro Forma Financial Information was prepared based on the audited consolidated statement of financial position of the Wai Kee Group as at 31 December 2022 as extracted from the annual report of the Company for the year ended 31 December 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 Acquisitions 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 Wai Kee Group would have been if the Acquisitions had been undertaken at 31 December 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 Wai Kee Group as set out in Appendix I to the Circular and the Accountants' Reports of the Target Groups and Guancheng Asia as set out in Appendices IIA, IIB and IIC to the Circular and other financial information included elsewhere in the Circular.

**APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE ENLARGED GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF  
THE ENLARGED GROUP  
AT 31 DECEMBER 2022**

	The	Target	Target	Guancheng	Pro forma adjustments								Pro forma
	Wai	Target	Target	Guancheng									total for
	Ke	Group	Group	Asia									the
	Group	Group	Group	Asia									Enlarged
	Group	A	B	Asia									Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7a	Note 7b	Note 7c	Note 7d	Note 8		
<b>Non-current assets</b>													
Property, plant and equipment	473,546	—	—	—								473,546	
Right-of-use assets	150,125	—	—	—								150,125	
Intangible assets	332,527	—	—	—								332,527	
Goodwill	29,838	—	—	—								29,838	
Interests in associates	9,029,210	—	—	—								9,029,210	
Loan to an associate	2,700	—	—	—								2,700	
Interests in joint ventures	62,189	—	—	—								62,189	
Debtors, deposits and prepayments	—	—	28	—					(28)			—	
Financial assets at fair value through profit or loss ("FVTPL")	197,523	—	—	—								197,523	
Other financial asset at amortised cost	32,507	—	—	—								32,507	
Derivative financial instruments	60,198	—	—	—								60,198	
	<u>10,370,363</u>	<u>—</u>	<u>28</u>	<u>—</u>								<u>10,370,363</u>	
<b>Current assets</b>													
Inventories	129,840	19,474	39,074	3,706	11,430	117,058	(1,175)	(6,816)				197,696	510,287
Debtors, deposits and prepayments	854,517	—	—	—									854,517
Contract assets	2,949,620	—	—	—									2,949,620
Amounts due from associates	14,001	—	—	—									14,001
Amount due from a joint venture	663	—	—	—									663
Amounts due from other partners of joint operations	23,885	—	—	—									23,885
Tax recoverable	21,489	—	—	—									21,489
Financial assets at FVTPL	527,161	—	—	—									527,161
Cash held on behalf of customers	33,753	—	—	—									33,753
Pledged bank deposits	113,696	—	—	—									113,696
Time deposits with original maturity of not less than three months	235,101	—	—	—									235,101
Bank balances and cash	2,318,005	—	—	—	(11,430)	(13,653)					(23,248)		2,269,674
	<u>7,221,731</u>	<u>19,474</u>	<u>39,074</u>	<u>3,706</u>									<u>7,553,847</u>
<b>Total assets</b>	<u>17,592,094</u>	<u>19,474</u>	<u>39,102</u>	<u>3,706</u>									<u>17,924,210</u>

**APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
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	The	Target	Target	Guancheng	Pro forma adjustments						Pro forma	
	Wai	Group	Group	Asia							total for	
	Keel	Group	Group	Asia	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	the
Group	A	B										Enlarged
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7a	Note 7b	Note 7c	Note 7d	Note 8	HK\$'000
<b>Current liabilities</b>												
Creditors and accrued charges	4,076,677	—	—	—								4,076,677
Contract liabilities	512,747	—	—	—								512,747
Amounts due to associates	22,595	—	—	—								22,595
Amounts due to other partners of joint operations	9,063	—	—	—								9,063
Amounts due to non-controlling shareholders	1,363	—	—	—								1,363
Amounts due to Vendors A	—	19,643	—	—		(19,643)						—
Amount due to Vendor B	—	—	189,926	—				(6,816)	(28)	2,568	(185,650)	—
Amounts due to former shareholders of Guancheng Asia	—	—	—	3,743			(1,175)			(2,568)		—
Lease liabilities	43,278	—	—	—								43,278
Tax liabilities	231,470	—	—	—								231,470
Bank loans	391,253	—	—	—								391,253
	<u>5,288,446</u>	<u>19,643</u>	<u>189,926</u>	<u>3,743</u>								<u>5,288,446</u>
<b>Non-current liabilities</b>												
Provision for rehabilitation costs	35,149	—	—	—								35,149
Deferred tax liabilities	5,750	—	—	—								5,750
Obligations in excess of interests in associates	15,445	—	—	—								15,445
Amount due to an associate	1,420	—	—	—								1,420
Amounts due to Vendors A	—	—	—	—		122,879						122,879
Amount due to Vendor B	—	—	—	—						209,237		209,237
Lease liabilities	102,363	—	—	—								102,363
Bank loans	1,113,500	—	—	—								1,113,500
Other creditors	23,000	—	—	—								23,000
Bonds	127,358	—	—	—								127,358
	<u>1,423,985</u>	<u>—</u>	<u>—</u>	<u>—</u>								<u>1,756,101</u>
<b>Total liabilities</b>	<u>6,712,431</u>	<u>19,643</u>	<u>189,926</u>	<u>3,743</u>								<u>7,044,547</u>
<b>Net assets</b>	<u>10,879,663</u>	<u>(169)</u>	<u>(150,824)</u>	<u>(37)</u>								<u>10,879,663</u>

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### NOTES TO THE PRO FORMA FINANCIAL INFORMATION AT 31 DECEMBER 2022

1. The amounts of assets and liabilities are extracted from the audited consolidated statement of financial position of the Wai Kee Group as at 31 December 2022 as set out in the annual report of the Company for the year ended 31 December 2022 issued on 21 March 2023.
2. The amounts of assets and liabilities of Target Group A are extracted from the accountants' report of the Target Group A as at 31 March 2023 as set out in Appendix IIA to this circular.
3. The amounts of assets and liabilities of Target Group B are extracted from the accountants' report of the Target Group B as at 31 March 2023 as set out in Appendix IIB to this circular.
4. The amounts of assets and liabilities of Guancheng Asia, a wholly-owned subsidiary of Target Company B and was acquired by Target Company B on 26 April 2023, are extracted from the accountants' report of Guancheng Asia as at 31 March 2023 as set out in Appendix IIC to this circular.
5. The adjustments represent the estimated transaction costs attributable to the Acquisitions of approximately HK\$11,430,000. Such transaction costs are capitalised as part of the cost of purchase of inventories as they are directly attributable to the acquisition of these inventories.
6. The Target Group A principally holds leasehold lands in Hong Kong for trading purpose and does not carry out any other active business operations. Under Hong Kong Financial Reporting Standard 3 (revised) "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the acquisition method does not apply to a situation where the acquisition of an asset or a group of assets does not constitute a business assessed under the optional concentration test. Accordingly, the acquisition of the Target Group A is not considered as a business combination. In accordance with HKFRS 3, the consideration shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the completion of such acquisition and such a transaction does not give rise to goodwill.

The adjustments represent acquisition of 100% equity interests in Target Group A and assignment of all shareholders' loans from the Vendors A for HK\$136,532,338 (as stated in the Sale and Purchase Agreements and subject to adjustments). The initial consideration for the acquisition shall be increased (subject to a cap of HK\$10,000 under each Sale and Purchase Agreements) by reference to the amount of prepayments of government rents, rates and utility deposits (if any) and shall be reduced by reference to the amount of total actual and contingent liabilities (including deferred tax liabilities but excluding the Sale Loans subject to that acquisition) (if any) shown in the completion accounts of the Target Group A subject to that acquisition as at the date of the Completion. For the purpose of this unaudited pro forma financial information, those amounts subject to adjustments are considered as immaterial and not reflected in the initial consideration.

The Purchaser shall pay the consideration for each Acquisition in the following manner (as stated in the Sale and Purchase Agreements):

- (i) upon signing of the SPA, 10% of the Agreed Property Value under that SPA (HK\$36,901,747.45 in total for both SPAs) to the Vendor(s)' solicitors as stakeholder (the "First Payment");
- (ii) within 10 working days after the publication of the LSPS Application on the website of the Development Bureau, HK\$12,224,011.22 in total for both SPAs to the Vendor(s)' solicitors as stakeholder (the "Second Payment");
- (iii) within 10 working days after the date of receipt of the formal recommendation from the panel of advisors under the LSPS, HK\$24,562,879.33 in total for both SPAs to the Vendor(s)' solicitors as stakeholder (the "Third Payment"); and

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- (iv) on the 30th day after the date on which the Purchaser confirms fulfilment of all conditions subsequent under the SPAs (“Final Payment Date”), except for the condition that the warranties and representations given by the Vendor(s) of that SPA are true, accurate and correct and not misleading in all material respects at all times on or before the Final Payment Date, and against the return of the bank guarantee provided by the Purchaser, the balance of the consideration for each Acquisition to the Vendor(s).

The First Payment, the Second Payment and the Third Payment shall only be released to the Vendor(s) of that SPA on or after the Final Payment Date or returned to the Purchaser in the event of termination of the SPA.

For the purpose of this unaudited pro forma financial information, the amount of the liabilities does not reflect the present value by using the effective interest method because such effective interest is considered as not material and the timing of payment would be subject to the publication of the LSPS Application.

The adjustment to inventories represents the net impact of (i) consideration of HK\$136,532,338, (ii) reversal of Target Group A's pre-acquisition equity deficit of HK\$169,000 and (iii) elimination of the shareholders' loans of HK\$19,643,000 which have been assigned to the Build King Group as if the Acquisition had taken place at 31 December 2022.

7. a. The adjustments represent the subsequent sale of inventories, which are leasehold lands, of Guancheng Asia to the former shareholders of Guancheng Asia on 26 April 2023 assuming such disposal had taken place on 31 December 2022.
- b. The adjustments represent the subsequent sale of inventories, which are leasehold lands, of Able Elegant Limited, a wholly-owned subsidiary of Target Company B, to Vendor B on 26 April 2023 assuming such disposal had taken place on 31 December 2022.
- c. The adjustments represent the subsequent disposal of Sina Max Investment Limited, a wholly-owned subsidiary of Target Company B and was disposed by Target Company B on 26 April 2023, and its subsidiaries assuming such disposal had taken place on 31 December 2022 at net book value amount.
- d. The adjustments represent the subsequent acquisition of Guancheng Asia by Target Company B on 26 April 2023 assuming such acquisition had taken place on 31 December 2022 at net book value amount.

The adjustments of the above subsequent events are incorporated into pro forma adjustments to reflect the latest financial position of Target Group B as they were completed subsequent to the accountants' report of Target Group B as at 31 March 2023 but prior to the acquisition of 100% equity interests in Target Group B by the Wai Kee Group on 28 April 2023.

8. The Target Group B principally holds leasehold lands in Hong Kong for trading purpose and does not carry out any other active business operations. Under HKFRS 3 issued by HKICPA, the acquisition method does not apply to a situation where the acquisition of an asset or a group of assets does not constitute a business assessed under the optional concentration test. Accordingly, the acquisition of the Target Group B is not considered as a business combination. In accordance with HKFRS 3, the consideration shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the completion of such acquisition and such a transaction does not give rise to goodwill.

The adjustments represent acquisition of 100% equity interests in Target Group B and assignment of all shareholder's loans from the Vendor B for HK\$232,485,136.46 (as stated in the Sale and Purchase Agreements and subject to adjustments). The initial consideration for the acquisition shall be increased (subject to a cap of HK\$10,000 under each Sale and Purchase Agreements) by reference to the amount of prepayments of government rents, rates and utility deposits (if any) and shall be reduced by reference to the amount of total actual and contingent liabilities (including deferred tax liabilities but excluding the Sale Loans subject to that acquisition) (if any) shown in the completion accounts of the Target Group B subject to that acquisition as at the date of the Completion. For the purpose of this unaudited pro forma financial information, those amounts subject to adjustments are immaterial and not reflected in the initial consideration.

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The Purchaser shall pay the consideration for the Acquisition in the manner as mentioned in note 6.

For the purpose of this unaudited pro forma financial information, the amount of the liabilities does not reflect the present value by using the effective interest method because such effective interest is considered as not material and the timing of payment would be subject to the publication of the LSPS Application.

The adjustment to inventories represents the net impact of (i) consideration of HK\$232,485,136, (ii) reversal of Target Group B's pre-acquisition equity deficit of HK\$150,861,000 and (iii) elimination of the shareholders' loans of approximately HK\$192,466,000 which have been assigned to the Build King Group as if the acquisition had taken place at 31 December 2022.

9. Except for Note 7, no adjustments have been made to the unaudited pro forma consolidated statement of assets and liabilities of the Wai Kee Group to reflect any trading results or other transactions of the Wai Kee Group entered into subsequent to 31 December 2022.

*The following is the 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 accountants of the Company, Deloitte Touché Tohmatsu, Certified Public Accountants, Hong Kong.*

**Deloitte.**

**德勤**

**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 (the "Group") upon completion of the acquisition of Sky Grant Investment Limited and Real Best Development Limited (the "Two Companies") (the "Enlarged 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 statement of assets and liabilities as at 31 December 2022 and related notes as set out on pages IV-1 to IV-6 of the circular issued by the Company dated 26 July 2023 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-6 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Major Transaction - Acquisitions of Equity Interests in Two Companies (the "Acquisitions") on the Group's financial position as at 31 December 2022 as if the Acquisitions had taken place at 31 December 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2022, on which an auditor's 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 Management**

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

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Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including 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 31 December 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.

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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  
26 July 2023

*The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with their valuation as at 30 April 2023 of the property interest in the sites held by the Wai Kee Group.*



Knight Frank Petty Limited  
4/F, Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong

26 July 2023

The Board of Directors  
Wai Kee Holdings Limited  
Unit 1103, 11/F, East Ocean Centre,  
98 Granville Road,  
Tsimshatsui, Kowloon,  
Hong Kong

Dear Sirs

#### **VALUATION OF VARIOUS LOTS IN DEMARCATION DISTRICT 234 (THE “PROPERTY”)**

In accordance with the instructions to us from Wai Kee Holdings Limited (hereinafter referred to as the “**Company**”, together with its subsidiaries, hereinafter together referred to as the “**Group**”), to value the Property, we confirm that we have made relevant enquiries and carried out searches 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 in its existing state as at 30 April 2023 (the “**Valuation Date**”) for public disclosure purposes.

#### **Basis of Valuation**

In arriving at our opinion of the market value, we followed “The HKIS Valuation Standards 2020” issued by The Hong Kong Institute of Surveyors (“**HKIS**”) and “The RICS Valuation — Global Standards” issued by the Royal Institution of Chartered Surveyors (“**RICS**”). Under the said standards, Market Value is defined as: -

*“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

Market Value is also understood as the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market Value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable 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, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards” issued by RICS and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

Our valuation is based on 100% of the leasehold interest in the Property.

### **Valuation Methodology**

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. In arriving at the market value of the Property, we have considered the Market Approach as relevant sale transactions are available in the open market. We have adopted the Market Approach on the basis of a collation and analysis of appropriate comparable transactions. To ensure fairness and reasonability of our valuation, we have made appropriate adjustments to reflect the differences between the Property and the selected comparable properties. The considered adjustments include location, accessibility, size, zoning and other material factors.

Our valuation is prepared on the basis that the Property was available for sale in the market on an immediate vacant possession basis and in its existing physical state. We have also assumed that its title being free of all material encumbrances and defects as at the Valuation Date.

### **Expertise**

The valuer, on behalf of Knight Frank Petty Limited, with the responsibility for this report is Ms. Jennifer Ip MRICS RICS Registered Valuer who has over 15 years of valuation experiences. We confirm that the valuer meets the requirements of HKIS Valuation Standards and the RICS Valuation — Global Standards, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently. Our valuation is prepared in an unbiased and professional manner.

### **Valuation Assumptions and Conditions**

Our valuation is subject to the following assumptions and conditions: -

#### *Title Documents and Encumbrances*

We have conducted relevant land search from the Land Registry. We have not, however, examined the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing. These assumptions are considered valid by the Company.

*Disposal Costs and Liabilities*

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

*Sources of Information*

We have relied to a very considerable extent on information given by the Group and have accepted advice given to us such as site areas, planning applications and all other relevant matters. We have not verified the correctness of any information, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

*Inspection*

We have inspected the Property on 25 April 2023. Inspection of the Property was undertaken by Ms. Rachel Chung MRICS RICS Registered Valuer, who has six years of experience in valuing properties in Hong Kong. Nevertheless, we have assumed in our valuations that the Property was in satisfactory order without any unauthorized extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

*Identity of the Property to be Valued*

We have exercised reasonable care and skill to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the Property to be valued, this should be drawn to our attention in your instruction or immediately upon receipt of our report.

*Property Insurance*

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

*Areas and Age*

We have not carried out on-site measurements to verify the correctness of the site area of the Property but have assumed that the site area shown on the documents and plans available to us are correct. Dimensions, measurements and areas included in the property valuation report are based on information provided to us and are, therefore, only approximations.

*Structural and Services Condition*

We have carried out a visual inspection only without any structural investigation or survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair, or any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the assumption that the Property was in satisfactory condition and contains no deleterious materials and it is in sound order and free from structural faults, rot, infestation or other defects.

*Ground Condition*

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

*Environmental Issues*

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect the potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but an adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

*Compliance with Relevant Ordinances and Regulations*

We have assumed the Property was or will be constructed, occupied, and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licenses, permits, certificates, consents, approvals, and authorisation have been or will be obtained, expected only where otherwise stated.

**Remarks**

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed, and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

We have prepared the valuation based on information and data available to us as at the Valuation Date. It must be recognised changes in policy direction, mortgage requirements, social and international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the Valuation Date may affect the value of the Property.

**Currency**

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

**Area Conversion**

The area conversion factors in this report are taken as follows:

1 square metre (sq. m.) = 10.764 square feet (sq. ft.)

*We enclose herewith our valuation report.*

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

**Jennifer Ip**

*MRICS RICS Registered Valuer*

Senior Director, Valuation & Advisory

**Cyrus Fong**

*FRICS FHKIS RPS(GP) RICS Registered Valuer*

Senior Director, Head of Valuation & Advisory

*Note:* Ms. Jennifer Ip is a qualified valuer who has about 15 years of extensive experiences in valuation of properties including development sites, residential, commercial, industrial properties in Hong Kong, Asia Pacific region and North America.

Mr. Cyrus Fong is a qualified valuer who has about 15 years of extensive experiences in valuation of properties including development sites, residential, commercial, industrial properties in Hong Kong, Asia Pacific region for various valuation purposes.

## PROPERTY TO BE ACQUIRED BY THE GROUP

## VALUATION

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2023
Lot Nos 7 S.A., 7 R.P, 8, 9, 10, 11, 12, 13, 16, 19, part of 21 S.A., 22, 25, part of 26, 28, 29, part of 30, 32, part of 33, part of 36, part of 38, 40, part of 41, 42, 44, 45, part of 46, 47, 48, part of 50, 51, 55, part of 57, 60, 63, 65, 69, 71, 72, 73, 74, part of 75, 77, 78, 80, 82, 83, 84, 85, 86, part of 89, 91, 92, 93, 94, 96, 97, 98, 99, 101, 102, 103, 104, 189 and 190 in Demarcation District 234 (the "Property")	<p>The Property is situated on the eastern side of Pak Shing Kok Road in Tsueng Kwan O of the New Territories.</p> <p>The Property comprises various irregularly shaped lot sections within Demarcation District 234. The Property has no direct vehicular access.</p> <p>According to the information provided by the Group, the total site area of the Property is approximately 245,628.80 sq. ft. (22,819.47 sq. m.).</p> <p>The Property is held under a Government Lease for a term of 75 years renewable for 24 years commencing from 1 July 1898, which has been statutorily extended until 30 June 2047. The annual Government rent payable for is 3% of the rateable value of the subject lot.</p>	The Property was vacant as at the Valuation Date.	HK\$380,000,000 (Hong Kong Dollars Three Hundred and Eighty Million)

## Notes:

- (1) Pursuant to the land register records obtained from the Land Registry, the registered owners of the Property as at the Valuation Date are listed below:-

Lot No	Registered owners
Lot Nos 7 S.A., 7 R.P, 8, 9, 11, 12, 13, 19, 22, 25, 28, 29, 32 in Demarcation District 234	Sky Grant Investment Limited
Lot No 10 in Demarcation District 234	Amazing Express Asia Limited
Lot No 16 in Demarcation District 234	Sky Grant Investment Limited and Amazing Express Asia Limited
Part of Lot Nos 21 S.A., 26, 30, 33 in Demarcation District 234	Sky Grant Investment Limited (1/2 share of Lot Nos 21 S.A., 26, 30, 33 in Demarcation District 234)
Part of Lot Nos 36, 38, 41, 46, 50 in Demarcation District 234	Able Elegant Limited (1/2 share of Lot Nos 36, 38, 41, 46, 50 in Demarcation District 234)
Lot Nos 40, 42, 44, 45, 47, 48, 51, 55, 60, 63, 65, 69, 71, 72, 73, 74, 77, 83, 84, 85, 86, 92, 94, 96, 97, 98, 99, 101, 102, 103, 104, 189 in Demarcation District 234	Able Elegant Limited
Part of Lot Nos 57, 75, 89 in Demarcation District 234	Able Elegant Limited (2/3 share of Lot Nos 57, 75, 89 in Demarcation District 234)
Lot Nos 78, 80, 82, 91, 93, 190 in Demarcation District 234	Able Elegant Limited & Guancheng Asia Limited

- (2) At the time of our recent search, no material encumbrance was registered against the Property.
- (3) The Property falls within the “Green Belt” zone on the Approved Tseung Kwan O Outline Zoning Plan No S/TKO/28. The “Green Belt” zone generally permits non-residential uses such as agricultural use; flat and house are permitted uses upon application subject to restrictions to the Town Planning Board.
- (4) As per the relevant Block Government Lease, the Property is designated for agricultural use, where the description of the lots are listed below:-

<b>Lot No</b>	<b>Description</b>
Lot Nos 7 S.A., 7 R.P, 8, 9, 10, 11, 12, 13, 16, 19, part of 21 S.A., 22, 25, part of 26, 28, 29, part of 30, 32, part of 33, part of 36, part of 38, 40, part of 41, 42, 44, 45, part of 46, 47, 48, part of 50, 51, 55, part of 57, 60, 63, 65, 69, 71, 72, 73, 74, part of 75, 77, 78, 82, 83, 84, 85, 86, part of 89, 91, 92, 93, 94, 96, 97, 98, 99, 101, 102, 103, 104, 190 in Demarcation District 234	Padi
Lot No 80 in Demarcation District 234	Padi and waste
Lot No 189 in Demarcation District 234	Dry cultivation

- (5) For the Company’s reference, the notional value allocation of the Property is as follows:

<b>Zone</b>	<b>Lot No</b>	<b>Site Area (sq. ft.)</b>	<b>Value (HK\$)</b>
Zone A	Lot Nos 7 S.A., 7 R.P, 8, 9, 10, 11, 12, 13, 16, 19, part of 21 S.A., 22, 25, part of 26, 28, 29, part of 30, 32, part of 33 in Demarcation District 234	86,362.82	\$130,000,000
Zone B	Lot Nos part of 36, part of 38, 40, part of 41, 42, 44, 45, part of 46, 47, 48, part of 50, 51, 55, part of 57, 60, 63, 65, 69, 71, 72, 73, 74, part of 75, 77, 78, 80, 82, 83, 84, 85, 86, part of 89, 91, 92, 93, 94, 96, 97, 98, 99, 101, 102, 103, 104, 189 and 190 in Demarcation District 234	159,265.98	\$250,000,000

- (6) The Property is situated on the eastern side of Pak Shing Kok Road in Tsueng Kwan O. It is located between the MTR - Lohas Park Station and Hang Hau Station. Various Government, Institution and Community (“GIC”) facilities are located nearby including Fire and Ambulance Services Academy, Fire Fighters Academy and Pak Shing Kok Married Quarters. The Property is within walking distance from public transportation facilities. As advised by the Group, an application has been submitted under the Land Sharing Pilot Scheme (“LSPS”) in respect of the Property for the increase of plot ratio and change of use. The LSPS aims to boost housing supply, where the Government will facilitate necessary infrastructural upgrading. Once approved, statutory procedures will take place followed by land administration procedures.
- (7) In the course of our valuation of the Property, we have taken into consideration the LSPS application and have referred to sale transaction of rural lands, which are considered relevant to the Property in terms of property type, location, timing of transaction and other property characteristics. The unit rates of the adopted comparable transactions range from about HK\$1,305 to HK\$1,897 per square foot on site area basis. Adjustments in terms of location, accessibility, size, zoning and other material factors have been considered to reflect the differences between the comparable transactions and the Property, in arriving at the adopted unit rate of the Property.

## 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 shareholding (%)
		Long position <i>(note 1)</i>	Short position	
Zen Wei Pao, William	Personal	247,988,843 <i>(note 2)</i>	—	31.27
Zen Wei Peu, Derek	Personal	252,540,078 <i>(note 2)</i>	—	31.84
	Securities interest	42,307,000	—	5.33
Wong Che Ming, Steve	Personal	900,000	—	0.11

##### *Notes:*

- Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bond(s)).
- 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 is deemed to be interested in a total of 500,528,921 Shares, representing 63.11% of Shares in issue of the Company, 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 shareholding (%)
			Long position (note 1)	Short position	
Zen Wei Pao, William	Build King Holdings Limited	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 Holdings Limited	Personal	122,775,228	—	9.89
	Road King Infrastructure Limited	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 Holdings Limited	Personal	1,116,000	—	0.09
	Road King Infrastructure Limited	Personal	205,000	—	0.03
Wong Che Ming, Steve	Build King Holdings Limited	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 Holdings Limited 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 (note 1)	Capacity/ Nature of interest	Type of debenture	Principal amount held (note 2)
Zen Wei Peu, Derek	RKI Overseas Finance 2017 (A) Limited	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$800,000 (note 3)
	RKPF Overseas 2019 (E) Limited	Personal	US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities	US\$46,050,000 (note 4)
	RKPF Overseas 2019 (A) Limited	Personal	US\$480 million 6.7% guaranteed senior notes	US\$12,500,000 (note 5)
	RKPF Overseas 2019 (A) Limited	Personal	US\$300 million 5.9% guaranteed senior notes	US\$2,000,000 (note 6)
	RKPF Overseas 2019 (A) Limited	Personal	US\$416 million 6% guaranteed senior notes	US\$8,300,000 (note 7)
Chiu Wai Yee, Anriena	RKPF Overseas 2019 (A) Limited	Personal	US\$480 million 6.7% guaranteed senior notes	US\$490,000
Ho Gilbert Chi Hang	RKI Overseas Finance 2017 (A) Limited	Personal	US\$300 million 7% senior guaranteed perpetual capital securities	US\$200,000
Wong Man Chung, Francis	RKPF Overseas 2019 (A) Limited	Personal	US\$480 million 6.7% guaranteed senior notes	US\$2,700,000

*Notes:*

1. Wholly-owned subsidiaries of Road King.
2. Long position.
3. The principal amount of US\$400,000 of US\$300 million 7% senior guaranteed perpetual capital securities was 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\$40,600,000 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. A principal amount of US\$2,150,000 of US\$300 million 7.75% senior guaranteed fixed-spread perpetual capital securities was held by Prepared Club Company Limited, which is wholly-owned by Mr. Zen Wei Peu, Derek.

5. 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.
6. 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.
7. 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\$4,900,000 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		Percentage of the issued ordinary share capital %
		Long position (note 1)	Short position	
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. Mr. Cheng Chi Ming, Brian is a non-executive director of New World Development Company 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 the Latest Practicable Date, the following Directors were interested in certain businesses (apart from the Wai Kee Group's business) which compete or are likely to compete either directly or indirectly with the Wai Kee Group's business:

Name of Director	Name of entity	Competing business	Nature of interest
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 OR CONTRACTS

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 2022, 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 contracts with Build King and Road King (of which Mr. Zen Wei Peu, Derek is a shareholder) as disclosed below, 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.

- (a) the framework agreement dated 30 November 2022 entered into between Build King 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 of Build King dated 6 December 2022);
- (b) the supplemental agreement dated 25 April 2023 entered into between Kaden-Titan JV (a joint venture wholly-owned by Build King) and Faith Oriental Investment Limited (a wholly-owned subsidiary of Wai Kee) in respect of the extension of duration of, and expansion of scope of, subcontract works (the details of which are set out in the circular of Build King dated 3 May 2023); and

- (c) the subsisting contracts entered into between the Wai Kee Group and the Road King Group as referred to in the section headed “Material Contracts” in this appendix.

## 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 dated 6 October 2022 entered into between Shine Precious Limited (“Shine Precious”, an indirect wholly-owned subsidiary of Road King), Wise Start Global Limited (“Wise Start”, an indirect wholly-owned subsidiary of Build King), Road King and Build King in relation to the formation of a “joint venture” between Shine Precious and Wise Start for an urban renewal project involving the site located at Yantian District, Shenzhen, the PRC and for which the Build King Group paid a total consideration of HK\$800,015,700 to the Road King Group, the details of which were set out in the joint announcements of Build King and Wai Kee dated 6 October 2022 and the circular of Wai Kee dated 23 December 2022;
- (d) 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 of the Investment Agreement from 23 December 2022 to 31 January 2023, the details of which were set out in the joint announcements of Build King and Wai Kee dated 23 November 2022 and the circular of Wai Kee dated 23 December 2022; and
- (e) the Sale and Purchase Agreements.

## 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 2022, 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. EXPERTS AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
Knight Frank Petty Limited	An independent professional valuer
Deloitte Touche Tohmatsu	Certified public accountants

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 2022 (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 is 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 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)) for a period of 14 days from the date of this circular:

- (a) the Sale and Purchase Agreements;
- (b) the valuation report prepared by Knight Frank Petty Limited, the text of which is set out in Appendix V to this circular;
- (c) the accountants' reports on the Target Groups and Guancheng Asia, the texts of which are set out in Appendices IIA to IIC to this circular;
- (d) the report on the Unaudited Pro Forma Financial Information, the text of which is set out in Appendix IV to this circular; and
- (e) the written consents referred to in the section headed "Experts and Consent" in this appendix.