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C C Land Holdings Limited
中渝置地控股有限公司

(Incorporated in Bermuda with limited liability)

Website: www.ccland.com.hk

(Stock Code: 1224)

MAJOR TRANSACTION
ACQUISITION OF 10% OF THE ENTIRE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the assignment of the Sale Loan pursuant to the SPA
“Announcement”	the announcement of the Company dated 16 September 2022 in respect of, among other things, the SPA and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bank Guarantee”	the guarantee as mentioned in the paragraph headed “4. BANK GUARANTEE” in the Letter from the Board
“Board”	the board of Directors
“Committed Loan”	a loan to be advanced to the Target Company by Ming Fat in the principal amount of HK\$6 million at an interest rate of 2.2% per annum
“Company”	C C Land Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1224)
“Concurrent Disposal”	the concurrent disposal as mentioned in the paragraph headed “8. INFORMATION ON THE TARGET GROUP” in the Letter from the Board
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$325 million, being the consideration for the Sale Share and the Sale Loan under the SPA
“CSI”	CSI Properties Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 497)
“Deed of Adherence”	a deed of release and adherence to be executed by Easycrest, Mingfa, Optimistic Horizon, Emperor, the JV Company, CSI, the Company, Modern Hero and the Target Company upon SPA Completion in relation to the Existing Target SHA
“Deed of Assignment”	a deed of assignment of the Sale Loan to be executed by Ming Fat (as assignor), Join Wise (as assignee) and the Target Company upon SPA Completion for the assignment of the Sale Loan
“Deed of Assumption of Debt”	a deed of assumption of debt to be executed by Ming Fat, Join Wise and the Target Company upon SPA Completion for the assumption of the Committed Loan
“Director(s)”	the director(s) of the Company from time to time
“Easycrest”	Easycrest Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Mingfa

DEFINITIONS

“Emperor”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 163)
“Enlarged Group”	the Group and the Target Group
“Existing Target SHA”	the shareholders’ agreement dated 9 June 2014 and entered into amongst Emperor, Smart Launch Limited, Mingfa, Mr. Hui Wing Mau, and the Target Company in relation to the formation, management and operation of the Target Company, as varied and amended by (a) the supplemental agreement dated 1 December 2014 and entered into amongst the said parties and as acknowledged by Optimistic Horizon and Easycrest as agents for Emperor and Mingfa respectively, and (b) the deed of release and adherence dated 28 January 2022 and executed by the said parties and the JV Company, the Company and CSI and as acknowledged by Optimistic Horizon and Easycrest as agents for Emperor and Mingfa respectively
“Formation of JV Company”	the formation of the JV Company as disclosed in the Company’s announcement dated 28 January 2022
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who is (are) not connected person(s) (as defined under the Listing Rules) of the Company and is (are) independent of and not connected with the Company and its connected person(s)
“Join Wise”	Join Wise Enterprises Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by the Company
“JV Company”	LAND MAGIC INVESTMENTS LIMITED, a company incorporated in the British Virgin Islands with limited liability
“Knight Frank”	Knight Frank Petty Limited, an independent firm of professional valuers
“Land”	ALL THAT piece or parcel of ground registered in the Land Registry as Rural Building Lot No.1198
“Latest Practicable Date”	18 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majority Shareholder”	Fame Seeker Holdings Limited (indirectly wholly owned by Mr. Cheung Chung Kiu, Chairman of the Board) which holds 2,871,231,906 Shares, representing approximately 73.96% of the issued Shares as at the Latest Practicable Date

DEFINITIONS

“Mingfa”	Mingfa Group (International) Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 846)
“Ming Fat”	Ming Fat Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by Mingfa
“Modern Hero”	MODERN HERO GLOBAL LIMITED, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by the Company
“Non-voting JV Share(s)”	non-voting share(s) of the JV Company having the rights and being subject to the restrictions set out in the memorandum of association of the JV Company
“Optimistic Horizon”	Optimistic Horizon Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect wholly owned subsidiary of Emperor
“Ordinary JV Share(s)”	ordinary share(s) of the JV Company having the rights and being subject to the restrictions set out in the memorandum of association of the JV Company
“Property”	No. 15 SHOUSON as erected on the Land
“Property Owner”	Talent Charm Corporation Limited, a company incorporated in Hong Kong with limited liability, which directly holds the Property and is wholly owned by the Target Company
“Sale Loan”	50% of all loan(s), interests, indebtedness and sums owed by the Target Company to Ming Fat as at SPA Completion
“Sale Share”	one (1) ordinary share of the Target Company to be sold by Easycrest to Modern Hero, which represents 10% of the entire issued share capital of the Target Company and 50% of the issued share capital of the Target Company owned by Easycrest as at the date of the SPA and immediately before SPA Completion
“SFO”	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPA”	the sale and purchase agreement dated 16 September 2022 entered into by Modern Hero as purchaser, Easycrest as vendor and Mingfa as vendor’s guarantor relating to the Acquisition
“SPA Completion”	completion of the Acquisition under the SPA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Target Company”	SUPERB LAND LIMITED, a company incorporated in the British Virgin Islands with limited liability, which is the immediate holding company of the Property Owner
“Target Group”	Target Company and its subsidiary (being the Property Owner)
“Transaction”	the transactions contemplated under the SPA and the Bank Guarantee
“%”	per cent

LETTER FROM THE BOARD



C C Land Holdings Limited 中渝置地控股有限公司

(Incorporated in Bermuda with limited liability)

Website: www.ccland.com.hk

(Stock Code: 1224)

Executive Directors:

Mr. Cheung Chung Kiu (*Chairman*)

Dr. Lam How Mun Peter

(Deputy Chairman & Managing Director)

Mr. Wong Chi Keung (*Deputy Chairman*)

Mr. Leung Chun Cheong

Mr. Leung Wai Fai

Registered Office:

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2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place
of business in Hong Kong:*

25/F, China Resources Building

26 Harbour Road

Wanchai, Hong Kong

Independent Non-Executive Directors:

Mr. Lam Kin Fung Jeffrey

Mr. Leung Yu Ming Steven

Dr. Wong Lung Tak Patrick

24 November 2022

To Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF 10% OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

1. INTRODUCTION

Reference is made to the Announcement. On 16 September 2022, Modern Hero (as purchaser), a wholly-owned subsidiary of the Company, entered into the SPA with Easycrest (as vendor) and Mingfa (as vendor's guarantor) for the acquisition of the Sale Share and the assignment of the Sale Loan at a total consideration of HK\$325 million.

The purpose of this circular is to provide you with, among other things, (i) further details of the SPA; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) unaudited pro forma financial information of the Enlarged Group; (v) a property valuation report; and (vi) other information as required under the Listing Rules.

LETTER FROM THE BOARD

2. SPA AND THE ACQUISITION

On 16 September 2022, Modern Hero (as purchaser) entered into the SPA with Easycrest (as vendor) and Mingfa (as vendor's guarantor) for the acquisition of the Sale Share and the assignment of the Sale Loan at a total consideration of HK\$325 million.

The principal terms of the SPA are summarised as follows:

- | | | |
|-----|--|--|
| 2.1 | Date | 16 September 2022 |
| 2.2 | Parties | <ul style="list-style-type: none">(1) Modern Hero as purchaser(2) Easycrest as vendor(3) Mingfa as vendor's guarantor |
| 2.3 | Assets to be acquired | <ul style="list-style-type: none">(a) The Sale Share representing 10% of the entire issued share capital of the Target Company and 50% of the issued share capital of the Target Company held by Easycrest as at the date of the SPA and immediately before SPA Completion; and(b) The Sale Loan representing 50% of all loan(s), interests, indebtedness and sums owing by the Target Company to Ming Fat as at SPA Completion. As at 30 June 2022, the Sale Loan amounted to approximately HK\$252.4 million. |
| 2.4 | Consideration and payment terms | <p>The amount of the Consideration is HK\$325 million and was determined after arm's length negotiations between the parties to the SPA with reference to, amongst others, the assets and liabilities of the Target Group as at 30 June 2022 as disclosed in the unaudited management accounts of the Target Group for the six months ended 30 June 2022, the amount of the Sale Loan, and taking into account the recent sales performance of the Property.</p> |

The Consideration of HK\$325 million comprises of (i) approximately HK\$72.6 million for the Sale Share and (ii) approximately HK\$252.4 million for the Sale Loan, and represents a premium of approximately HK\$86.3 million over the 10% share of the net liabilities of the Target Group as at 30 June 2022 of HK\$137 million. The net liabilities of the Target Group is mainly resulted from the interest expenses incurred following the completion of the development of the Property and the marketing expenses in connection with the launching the Property for sale. The premium of approximately HK\$86.3 million over the 10% share of the net liabilities of the Target Group as at 30 June 2022 of HK\$137 million is in substance representing a premium paid for the acquisition of the Property (being the major asset of the Target Group and accounted for about 98% of its total assets as at 30 June 2022) with an acquisition cost of approximately HK\$59,000 per square feet which is calculated as follows:

LETTER FROM THE BOARD

	<i>HK\$' million</i>
Consideration of Sale Share	72.6
10% share of the net liabilities of the Target Group as at 30 June 2022	<u>13.7</u>
Premium	<u>86.3</u>
Premium as if 100% interest of the Target Group	863
Carrying value of the Property as at 30 June 2022	<u>4,859</u>
Acquisition cost of the Property at 100% interest	<u>5,722</u>
Total saleable area of the Property (in square feet)	<u>97,067</u>
Acquisition cost of the Property per square feet (in HK\$)	<u><u>59,000</u></u>

In agreeing the Consideration, the Directors take into consideration of the recent successful sales of two villas of the Property in July 2022 and August 2022 at respective selling prices of approximately HK\$870 million and HK\$435 million, equivalent to HK\$108,000 per square feet and HK\$92,000 per square feet as they are the most suitable market comparables in terms of its age, quality, location and sales transaction date when comparing with the Property. Accordingly, the Directors are of the view that the acquisition cost of approximately HK\$59,000 per square feet represents a discount of 45% and 36% to the recent selling prices of the two villas of the Property and the Transaction offers an opportunity for the Group to further accelerate the returns from its investment in the Property which is ready for sale, and concluded that the Consideration is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Consideration shall be payable in cash upon SPA Completion by cashier order(s) or in such other manner as Easycrest and Modern Hero may otherwise agree in writing. The Company funded the Consideration from its internal resources. The Consideration was already paid upon SPA Completion, which took place on 27 October 2022.

2.5 Deed of Assumption of Debt

Upon SPA Completion, Join Wise shall enter into the Deed of Assumption of Debt with Ming Fat and the Target Company for the assumption of the obligations of Ming Fat (being the nominated financier of Easycrest) to advance the Committed Loan in consideration of a payment of an equivalent amount of HK\$6 million to Join Wise, which shall be settled by offsetting an equivalent amount from the Consideration. After the set-off, the net amount of the Consideration payable by Modern Hero and Join Wise upon SPA Completion shall be reduced to HK\$319 million.

As at the Latest Practicable Date, the Deed of Assumption of Debt has been entered into by the relevant parties.

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2.6 Condition precedent

SPA Completion shall be conditional upon all of the following conditions precedent being satisfied (or waived by Modern Hero) before the expiry of 9 months from the date of the SPA:

- (i) Easycrest having obtained waiver of any right of pre-emption in respect of the Sale Share;
- (ii) Easycrest having obtained the written consent of an existing lending bank of the Property Owner in respect of the SPA and the transactions contemplated hereunder and delivered to Modern Hero all relevant documentary evidence showing the grant of such consent and release of any of its obligations by such existing lending bank;
- (iii) where applicable, Mingfa having obtained all the necessary corporate approval for approving the SPA and the transactions contemplated hereunder;
- (iv) Easycrest having been able to procure Ming Fat to sign the Deed of Assignment and the Deed of Assumption of Debt;
- (v) all the warranties given by Easycrest and Mingfa under the SPA remaining true and accurate and not misleading as at SPA Completion and no events having occurred that would result in any breach of such warranties or provisions of the SPA by Easycrest;
- (vi) Modern Hero having obtained all relevant internal approval from its board of directors and the Board in respect of the SPA and the transactions contemplated hereunder; and
- (vii) (if required by the Listing Rules or the Stock Exchange) the Company having obtained all necessary approval by its shareholder(s) approving the SPA and the transactions contemplated thereunder,

failing which Modern Hero or Easycrest may terminate the SPA by giving at least 5 business days' (as defined under the SPA) prior written notice to the other party and upon expiry of the said notice period, the SPA shall cease to have any effect and become null and void (other than the continuing provisions as specified under the SPA).

Modern Hero may in its absolute discretion at any time waive in writing any of the above conditions precedent or any part thereof, except that the conditions precedent set out in paragraphs (vi) and (vii) above cannot be waived.

As at the Latest Practicable Date, all conditions precedent set out above have been fulfilled pursuant to the SPA.

LETTER FROM THE BOARD

2.7 SPA Completion SPA Completion shall take place on 15 November 2022 or within 3 business days (as defined under the SPA) after the conditions precedent set out in the SPA having been satisfied (or waived by Modern Hero) or such other date as agreed by Easycrest and Modern Hero in writing.

Following SPA Completion, the Target Company will be accounted for as investment in joint venture by the Group and will not become a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

SPA Completion already took place on 27 October 2022, as agreed in writing by Easycrest and Modern Hero pursuant to the SPA.

2.8 Vendor's Guarantee Mingfa guarantees to Modern Hero, among other things, the full and punctual performance by Easycrest of all its obligations and to pay, on demand, any sum which Easycrest fails to pay pursuant to the SPA.

3. DEED OF ADHERENCE

Upon SPA Completion, the Company, Modern Hero and the relevant parties shall enter into the Deed of Adherence pursuant to which, among other things, Modern Hero shall covenant to observe, perform and be bound by all the terms of the Existing Target SHA with effect from the date of the Deed of Adherence, and to assume certain relevant rights and obligations of Easycrest in respect of the Sale Share under the Existing Target SHA as if it were named as a party thereto (save and except any personal obligations imposed only on and any warranties given by Easycrest, and any antecedent breaches or non-observance of the Existing Target SHA by Easycrest prior to the date of the Deed of Adherence). As at the Latest Practicable Date, the Deed of Adherence has been entered into by the relevant parties.

In addition to the covenants given by Modern Hero set out above, particulars of the principal terms of the Existing Target SHA as varied and/or supplemented by the Deed of Adherence immediately upon SPA Completion are summarised as follows:

Purpose and Business of the Target Company: The sole business of the Target Company is to hold all the entire issued share capital of the Property Owner, and the sole business of the Target Group is to hold and develop the Land into the Property for sale or lease.

Financing of the Target Company and the Property Owner: The shareholders of the Target Company agreed to obtain loans from banks and/or financial institutions to finance the land acquisition cost for the acquisition of the Land and the project costs (including the costs for the development on buildings on the Land) and provide guarantees in favour of such banks and/or financial institutions on a several basis in the percentage proportional to their respective shareholding interests in the Target Company. In the event such borrowings are insufficient to cover all relevant costs, the shareholders of the Target Company shall provide shareholders loans in proportion to their respective shareholding interests in the Target Company in accordance with the terms and conditions of the Existing Target SHA.

LETTER FROM THE BOARD

Existing Target SHA Guarantee:	The Company covenants to guarantee in the aggregate 42% of all the obligations and liabilities of Modern Hero and the JV Company as shareholders to the Target Company arising from the Existing Target SHA on terms similar to the guarantee given by other guarantors (being holding companies of the shareholders of the Target Company) in respect of the respective shareholders to the Target Company under the Existing Target SHA.
Restrictions on Transfer of Shares and Shareholders' Loan:	None of the shareholders of the Target Company, except with the prior written consent of the other shareholders and subject to the terms and conditions of the Existing Target SHA, shall sell, assign, or otherwise dispose of or create any pledge or lien over the shares of the Target Company or the shareholders loan made to the Target Company.
Dividend and Distribution Policy:	The Target Company shall and shall procure the Property Owner, within a period of six (6) months after the earlier of (i) the issue of the consent to assign or occupation permit in respect of the development of the Property and (ii) the issue of the certificate of compliance in respect of the Land and the Property and thereafter every six (6) months, pay or distribute to the shareholders of the Target Company all profits in accordance with the terms and conditions of the Existing Target SHA.

4. BANK GUARANTEE

Upon SPA Completion and for the purpose of the Acquisition, the Company (being the guarantor of Modern Hero) shall execute a deed of guarantee in favour of an existing lending bank of the Property Owner to guarantee up to an additional 10% of the obligations of the Property Owner due and payable under certain term loan facilities granted to the Property Owner with an outstanding loan balance of approximately HK\$2,243 million as at the date of the SPA. The guarantee obligation of the Company under the Bank Guarantee is determined by reference to the Group's additional indirect interest of 10% in the Property Owner to be acquired by Modern Hero under the SPA. As at the Latest Practicable Date, the Bank Guarantee has been executed by the Company.

When aggregating the Bank Guarantee with the bank guarantee previously provided by the Company (as one of the guarantors of the JV Company) to the existing lending bank of the Property Owner, the Company will be providing an aggregated bank guarantee of up to 42% of the obligations of the Property Owner due and payable under those term loan facilities, corresponding to the Group's aggregated indirect interest of 42% in the Property Owner immediately following SPA Completion.

LETTER FROM THE BOARD

5. REASONS FOR AND BENEFITS OF THE TRANSACTION

Property development and investment has been part of the principal activities of the Group. Following SPA Completion, the Group's aggregated indirect interest in the Target Company has been increased from 32% to 42%. The Property is situated in one of the most exclusive and prime locations in Hong Kong, and has been launched to the market since late-May 2022, with a successful contracted sales of two villas at selling prices of approximately HK\$870 million and HK\$435 million, equivalent to HK\$108,000 per square feet and HK\$92,000 per square feet respectively, and the sale of one of these two villas was completed on 24 October 2022. The Directors consider that, in light of the recent satisfactory sales performance as the selling prices of the Property in the recent sales are significantly higher than the acquisition cost of the Property of approximately HK\$59,000 per square feet paid by the Group under the Acquisition, the Transaction offers an opportunity for the Group to further accelerate the returns from its investment in the Property which is ready for sale by increasing the Group's aggregated indirect interest in the Target Company, and allowing the Group to further participate in the property development and investment in Hong Kong in line with its business development strategy. The terms of the SPA were negotiated after arm's length negotiations between the parties. The Directors are of the view that the terms of the SPA are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

6. INFORMATION ON MODERN HERO, JOIN WISE AND THE GROUP

Modern Hero is incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. Modern Hero is principally engaged in investment holding. Join Wise is incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. Join Wise is principally engaged in treasury management. The Company is an investment holding company and its subsidiaries are principally engaged in property development and investment as well as treasury investments.

7. INFORMATION ON THE OTHER PARTIES

Other Parties to the Acquisition

Easycrest is a wholly-owned subsidiary of Mingfa and is principally engaged in property development. Ming Fat is a wholly-owned subsidiary of Mingfa and is principally engaged in investment holding. Mingfa is an investment holding company and its subsidiaries are principally engaged in property development, property investment and hotel operation in the People's Republic of China.

Other Parties to the Deed of Adherence

Optimistic Horizon is an indirect wholly-owned subsidiary of Emperor and is principally engaged in investment holding. Emperor is an investment holding company and its subsidiaries are principally engaged in property investment, property development and hospitality businesses in the Greater China and overseas.

The JV Company is a company incorporated in the British Virgin Island with limited liability and is principally engaged in investment holding. Following the Formation of the JV Company and as at the Latest Practicable Date, the Company indirectly owns 6 Non-voting JV Shares and 2 Ordinary JV Shares while CSI indirectly owns 2 Ordinary JV Shares. CSI is an investment holding company and its subsidiaries are principally engaged in property development and investment, and securities investment.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the following parties are all Independent Third Parties:

- (a) Easycrest, Ming Fat, Mingfa and its controlling shareholder(s);
- (b) Optimistic Horizon, Emperor and its controlling shareholder(s); and
- (c) CSI and its controlling shareholder(s).

8. INFORMATION ON THE TARGET GROUP

The sole business of the Target Company is to hold all the entire issued share capital of the Property Owner, and the sole business of the Property Owner is to hold and develop the Land into the Property for sale or lease.

The Property is a signature luxury residential project with a total gross floor area of approximately 87,200 square feet, and has been developed by the Property Owner into 15 low-density luxury villas, complemented by comprehensive auxiliary facilities. The Property was launched to the market in late-May 2022.

The financial highlights and operating results of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards are as follows:

	For the year ended 31 December 2020 (audited) HK\$'000	For the year ended 31 December 2021 (audited) HK\$'000	For the six months ended 30 June 2022 (audited) HK\$'000
Loss before taxation	171	72,343	63,398
Loss after taxation	171	72,343	63,398

The consolidated net liabilities of the Target Group as at 30 June 2022 was approximately HK\$137 million.

As at the date of the SPA, the Target Company was owned as to 40% by Optimistic Horizon, 40% by the JV Company and 20% by Easycrest. Concurrent with the SPA, Easycrest (as vendor) has entered into a sale and purchase agreement with Optimistic Horizon (as purchaser) for the disposal of the remaining 10% of the entire issued share capital of the Target Company owned by Easycrest and the assignment of the remaining 50% of all loan(s), interests, indebtedness and sums owing by the Target Company to Ming Fat (the "**Concurrent Disposal**"). The Concurrent Disposal was also completed on 27 October 2022.

Immediately following completion of the Concurrent Disposal and the SPA Completion and as at the Latest Practicable Date, the Target Company is owned as to 50% by Optimistic Horizon, 40% by the JV Company and 10% by Modern Hero. Accordingly, the Group's aggregated indirect interest in the Target Company and the Property Owner held through the JV Company and Modern Hero has been increased from 32% to 42%.

9. FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

Upon SPA Completion, the Target Company will be accounted for as investment in joint venture by the Group using an equity accounting method and will not become a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

LETTER FROM THE BOARD

As the Group funded the Consideration from its internal resources, the cash and cash equivalents was decreased by HK\$325 million, with a corresponding increase in investments in joint ventures. A gain on bargain purchase of approximately HK\$140 million was recognized by the Group as the excess of the Group's share of the net fair value of Target Group's identifiable assets and liabilities over the Consideration, with a corresponding increase in investments in joint ventures.

For further details of the financial effects of the Transaction on the assets and liabilities of the Group upon SPA Completion, please refer to Appendix III to this circular.

10. PROPERTY VALUATION

A reconciliation of the carrying value of the Property as at 30 June 2022 as derived from the financial statements of the Target Group without mark-to-market valuation and the market value of the Property as at 16 September 2022 is as follows:

	<i>HK\$' million</i>
Carrying value of the Property as at 30 June 2022 and as at 16 September 2022	4,859
Market value adjustment of the Property	<u>2,641</u>
Market value of the Property as at 16 September 2022	<u><u>7,500</u></u>

11. GENERAL

Reference is made to the announcement of the Company dated 28 January 2022 in relation to the Formation of JV Company. On 28 January 2022, Rapid Joy Limited, an indirect wholly-owned subsidiary of the Company, entered into a shareholders' agreement with Ultimate Solution Holdings Limited, an indirect wholly-owned subsidiary of CSI, and the JV Company in relation to the formation, management and operation of the JV Company. The JV Company is not a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group. On the same day, a sale and purchase agreement was entered into between the JV Company as purchaser, the Company and CSI as purchaser's guarantors, Smart Launch Limited as vendor, and Mr. Hui Wing Mau as vendor's guarantor for the acquisition of (i) 40% of the entire issued share capital of the Target Company and (ii) the shareholders' loan owed by the Target Company to Shimao HK Management Company Limited. Completion of the said acquisition took place simultaneously upon signing of the said sale and purchase agreement. In connection with the said acquisition, the Company also on the same day provided a bank guarantee in favour of an existing lending bank of the Property Owner to guarantee up to 32% of the obligations of the Property Owner due and payable under certain term loan facilities granted to the Property Owner. Immediately following the completion of the said acquisition and before the SPA Completion, the Company was indirectly interested in 32% in the Property Owner through the JV Company. Immediately following the SPA Completion and as at the Latest Practicable Date, the Company is indirectly interested in 42% in the Property Owner through the JV Company and Modern Hero.

The highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transaction exceeds 5% but is less than 25% on a stand-alone basis. However, as the Formation of JV Company was completed in the preceding 12-month period from the date of the SPA and involved acquisition of interests in the Target Company, the Transaction is required to be aggregated with the Formation of JV Company under Rule 14.22 of the Listing Rules for the purpose of classifying the Transaction.

When aggregated with the Formation of JV Company, the highest applicable percentage ratio in respect of the Transaction exceeds 25% but is less than 100%, and the Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder had on the date of the SPA an interest in the Transaction which was materially different from the other Shareholders. Accordingly, no Shareholder was required to abstain from voting if the Company were to convene a special general meeting for the approval of the Transaction.

As a written approval for the entry into of the Transaction has been obtained by the Company from the Majority Shareholder and that all the conditions under Rule 14.44 of the Listing Rules have been met, the written approval has been accepted by the Company in lieu of holding a special general meeting to approve the entry into of the Transaction.

12. WAIVER GRANTED BY THE STOCK EXCHANGE

The Company had applied for, and obtained from the Stock Exchange, a waiver from strict compliance with the requirements under Rule 14.41(a) of the Listing Rules with an extension of time for despatching this circular on or before 25 November 2022.

13. RECOMMENDATION

The Directors consider that the SPA and the transactions contemplated thereunder are on normal commercial terms and the terms of the SPA have been negotiated on an arm's length basis which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Had a special general meeting been convened for the approving the SPA and the transactions contemplated thereunder, the Board would have recommended the Shareholders to vote in favour of the SPA and the transactions contemplated thereunder.

14. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the Appendices to this circular.

Yours faithfully,
By order of the Board of
C C Land Holdings Limited
Lam How Mun Peter
Deputy Chairman and Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 were set out in the relevant annual reports and interim report of the Company uploaded to the Stock Exchange's website (<https://www.hkexnews.hk>) and the Company's website (www.ccland.com.hk).

Please also see below quick links to the relevant annual reports and interim report:

- Interim report of the Company for the six months ended 30 June 2022 published on 2 September 2022 (pages 15 to 32):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0902/2022090201585.pdf>
- Annual report of the Company for the year ended 31 December 2021 published on 12 April 2022 (pages 41 to 121):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0412/2022041200767.pdf>
- Annual report of the Company for the year ended 31 December 2020 published on 13 April 2021 (pages 39 to 121):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0413/2021041300670.pdf>
- Annual report of the Company for the year ended 31 December 2019 published on 8 April 2020 (pages 39 to 129):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0408/2020040800692.pdf>

2. STATEMENT OF INDEBTEDNESS OF THE GROUP

As at the close of business on 30 September 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total bank and other borrowings of approximately HK\$8,245,032,000 comprising secured bank borrowings and unsecured bank and other borrowings of approximately HK\$6,469,544,000 and approximately HK\$1,775,488,000 respectively, unsecured notes payable of HK\$2,311,905,000, and lease liabilities of HK\$42,993,000. The secured bank borrowings were secured by the Group's investment properties with an aggregate carrying amount of approximately HK\$12,669,244,000.

At 30 September 2022, the Group had the following contingent liabilities/financial guarantees:

1. Guarantee given to the vendor in connection with the acquisition of a freehold land by a joint venture amounted to HK\$43,763,000.
2. Guarantees given to banks in connection with facilities granted to joint ventures up to HK\$2,803,914,000 and the related banking facilities were utilised to the extent of HK\$2,553,464,000.
3. Guarantees given to banks and an independent third party in connection with facilities granted to associates up to HK\$1,826,500,000 and the related facilities were fully utilised as at 30 September 2022.
4. Guarantees given to certain financial institutions in connection with the cost overrun guarantee in respect of the project development costs of a joint venture up to HK\$722,081,000.

Saved as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding or agreed to be issued, term loans, loan capital, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured and unsecured, guarantees or other material contingent liabilities at the close of business on 30 September 2022.

3. WORKING CAPITAL STATEMENT OF THE GROUP

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the Transaction and the present financial resources available to the Group, including funds internally generated from its business operations and the available financial facilities, the Group will have sufficient working capital for its business operations for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The core business of the Group is property development and investment as well as treasury investments. The Group has started to build its global property portfolio since early 2017, and now has both investment, and development projects in the United Kingdom, Hong Kong and Mainland China. The Group will continue to diversify its asset base through acquisition and focusing on investing selectively in tier one cities in China, in Hong Kong as well as other key gateway international cities such as London and Melbourne either for development or investment purpose which may take the form of equity partnership, joint ventures or otherwise. The Group will maintain a disciplined approach while achieving its goal to expand its portfolio.

The Group's property portfolio is almost fully let to quality occupiers on long leases, and its finances are with reasonable Loan-To-Value and costs, and long term financing from a wide range of sources. With a reasonable gearing ratio, the Group is well positioned to cherry pick projects with great potentials for high returns. When the property development projects are delivered in stages to the buyers upon completion in the coming two years, the Group will enter into the harvest stage as the revenue is booked.

Looking ahead, the Group believes London will remain one of the dominant financial centres in the world, demand for prime office space surged in the first half of 2022 as occupiers look to relocate or expand, and investors seek opportunities in the market where they see rental growth potentials. The Hong Kong economy is expected to recover from a slowdown due to the pandemic in the past two years. The Group will continue to look at opportunities for other projects to build a balanced property portfolio with both stable recurring rental income and property sales revenue in order to provide a satisfactory return to its shareholders.

As for the treasury investment business, the Group has invested surplus cash in a diversified portfolio of listed equity securities and unlisted investment funds. The Group will continue to adopt a prudent investment strategy and assess the performance of its portfolio of investments to make timely and appropriate adjustments to fine-tune its investments holding with a view to minimize risks while retaining liquidity, a strong balance sheet, and to achieve a competitive rate of return.

1. ACCOUNTANTS' REPORT

The following is the text of a report set out on pages AII-4 to AII-34 received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong prepared for the purpose of incorporation in this circular.

Deloitte.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SUPERB LAND LIMITED AND ITS SUBSIDIARY TO THE DIRECTORS OF C C LAND HOLDINGS LIMITED

Introduction

We report on the historical financial information of Superb Land Limited (the "Target Company") and its subsidiary (together, the "Target Group") set out on pages AII-4 to AII-34, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages AII-4 to AII-34 forms an integral part of this report, which has been prepared for inclusion in the circular of C C Land Holdings Limited (the "Company") dated 24 November 2022 (the "Circular") in connection with the proposed acquisition of 10% equity interest in the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

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

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

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation, 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 of Hong Kong Limited 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 AII-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends was declared or paid by the Target Group in respect of the Relevant Periods.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 November 2022

HISTORICAL FINANCIAL INFORMATION OF THE TARGET 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 Target 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

	NOTES	Year ended 31 December			Six months ended 30 June	
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 (unaudited)	2022 HK\$'000
Interest income		10	2	2	1	1
Selling and marketing expenses		-	-	(24,398)	-	(9,695)
Administrative expenses		(187)	(173)	(318)	(95)	(4,405)
Finance costs	7	-	-	(47,629)	-	(49,299)
Loss and total comprehensive expense for the year/period	8	<u>(177)</u>	<u>(171)</u>	<u>(72,343)</u>	<u>(94)</u>	<u>(63,398)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December		At 30 June	
		2019	2020	2021	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets					
Properties held for sale	13	–	–	4,858,849	4,858,849
Properties under development for sale	13	3,899,249	4,402,831	–	–
Prepayments, deposits and other receivables	14	4,573	28,205	1,984	45,339
Bank balances	15	17,400	159,214	82,336	64,548
		<u>3,921,222</u>	<u>4,590,250</u>	<u>4,943,169</u>	<u>4,968,736</u>
Current liabilities					
Other payables and accruals	16	5,158	3,194	221,241	208,053
Amounts due to shareholders	17	1,953,961	2,258,270	2,465,485	2,524,126
Contract liability	18	–	–	–	43,512
Bank borrowings	19	1,963,146	2,330,000	2,330,000	2,330,000
		<u>3,922,265</u>	<u>4,591,464</u>	<u>5,016,726</u>	<u>5,105,691</u>
NET CURRENT LIABILITIES		<u>(1,043)</u>	<u>(1,214)</u>	<u>(73,557)</u>	<u>(136,955)</u>
Capital and reserve					
Share capital	20	–*	–*	–*	–*
Accumulated losses		<u>(1,043)</u>	<u>(1,214)</u>	<u>(73,557)</u>	<u>(136,955)</u>
TOTAL DEFICIT		<u>(1,043)</u>	<u>(1,214)</u>	<u>(73,557)</u>	<u>(136,955)</u>

* Less than HK\$1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	–*	(866)	(866)
Loss and total comprehensive expense for the year	–	(177)	(177)
At 31 December 2019	–*	(1,043)	(1,043)
Loss and total comprehensive expense for the year	–	(171)	(171)
At 31 December 2020	–*	(1,214)	(1,214)
Loss and total comprehensive expense for the year	–	(72,343)	(72,343)
At 31 December 2021	–*	(73,557)	(73,557)
Loss and total comprehensive expense for the period	–	(63,398)	(63,398)
At 30 June 2022	–*	(136,955)	(136,955)

* *Less than HK\$1,000*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 (unaudited)	2022 HK\$'000
Operating activities					
Loss before taxation	(177)	(171)	(72,343)	(94)	(63,398)
Adjustments for:					
Interest income	(10)	(2)	(2)	(1)	(1)
Interest expense	–	–	47,629	–	49,299
Operating cash flows before movements in working capital	(187)	(173)	(24,716)	(95)	(14,100)
Increase in properties under development for sale	(471,164)	(397,542)	(409,156)	(83,923)	–
(Increase) decrease in prepayments, deposits and other receivables	(4,565)	(23,632)	26,221	(13,067)	157
(Decrease) increase in other payables and accruals	(54,147)	(1,093)	219,035	(619)	(13,270)
Net cash used in operating activities	(530,063)	(422,440)	(188,616)	(97,704)	(27,213)
Cash from investing activity					
Interest received	10	2	2	1	1
Financing activities					
New bank borrowings raised	483,146	366,854	–	–	–
Interest paid	(66,609)	(64,602)	(48,864)	(24,998)	(24,976)
Advances from shareholders	114,000	262,000	160,600	109,000	34,400
Net cash from financing activities	530,537	564,252	111,736	84,002	9,424
Net increase (decrease) in cash and cash equivalents	484	141,814	(76,878)	(13,701)	(17,788)
Cash and cash equivalents at beginning of the year/period	16,916	17,400	159,214	159,214	82,336
Cash and cash equivalents at end of the year/ period, representing bank balance	17,400	159,214	82,336	145,513	64,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. General information**

The Target Company is a private limited company incorporated in the British Virgin Islands (“BVI”).

Prior to 28 January 2022, the Target Company was beneficially 40% owned by Smart Launch Limited (“Smart Launch”), a company incorporated in the British Virgin Islands, 40% owned by Optimistic Horizon Limited (“Optimistic Horizon”), an indirect wholly-owned subsidiary of Emperor International Holdings Limited (“Emperor”) which is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and 20% owned by Easycrest Limited (“Easycrest”), an indirect wholly-owned subsidiary of Mingfa Group (International) Company Limited which is a company incorporated in Cayman Islands and its shares are listed on the Stock Exchange.

On 28 January 2022, Land Magic Investments Limited, a company jointly owned by C C Land Holdings Limited (“C C Land”) and CSI Properties Limited (“CSI”), which are companies incorporated in Bermuda with limited liability and their shares are listed on the Stock Exchange, entered into a sale and purchase agreement to acquire 40% interest in Target Company from Smart Launch.

On 16 September 2022, each of Modern Hero Global Limited, an indirect wholly-owned subsidiary of C C Land, and Optimistic Horizon, entered into a sale and purchase agreement to acquire 10% and 10% interest in Target Company, respectively, from Easycrest (the “SPA”).

Upon the completion of SPA, the Target Company is jointly controlled by C C Land, Emperor and CSI, which respectively effectively held 42%, 50% and 8% interest in Target Company.

The address of the registered office of the Target Company is P.O. Box 957, Offshore Incorporations Centre, Road Towns, Tortola, BVI and the principal place of the business of the Target Company is 28th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

The Historical Financial Information is presented in HK\$, which is also the functional currency of the Target Company.

The Target Company acts as an investment holding company. Details of its subsidiary and its principal activity is set out in note 27.

2. Basis of preparation of the 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. 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 Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared for inclusion in the circular of C C Land dated 24 November 2022 in connection with acquisition of 10% equity interest in the Target Company.

The statutory financial statements of the Target Company for each of the years ended 31 December 2019 and 2020 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us. The statutory financial statements of the Target Company for the year ended 31 December 2021 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Cheng & Cheng Limited, certified public accountants registered in Hong Kong.

The directors of the Target Company have given careful consideration to the going concern of the Target Group in light of the fact that as of 30 June 2022, the Target Group's current liabilities exceeded its current assets by HK\$136,955,000.

The Historical Financial Information has been prepared on a going concern basis because C C Land, Emperor and CSI have agreed to provide adequate funds for the Target Group to meet in full its financial obligations as they fall due for the foreseeable future. In addition, in July 2022, the Target Group drew down and utilised the term loan of HK\$2,330 million according to the new facility agreement to fully repay the bank borrowings of HK\$2,330 million as at 30 June 2022. Bank borrowings of HK\$2,283 million are repayable from July 2023 to January 2025.

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 Target 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 the Historical Financial Information is determined on such a basis, except for 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*".

3. Application of HKFRSs

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

New and amendments to HKFRSs that have been issued but not yet effective

The Target Group has not early applied the following new and amendments to HKFRSs that have been issued but are not effective.

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

Except for the amendments to HKFRSs mentioned below, the directors of the Target Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Target Group in the foreseeable future.

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)”

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “*Financial Instruments: Presentation*”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Target Group's outstanding liabilities as at 30 June 2022, and the related terms and conditions stipulated in the agreements between the Target Group and the relevant lenders, the application of the amendments will not result in reclassification of the Target Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Target Group but may affect the disclosures of the Target Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Target Group's future consolidated financial statements.

4. Significant accounting policies

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company and its subsidiary. Control is achieved when the Target Company:

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

The Target 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.

Combination of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target 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 statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Target Group's accounting policies.

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

Revenue from contracts with customers

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Target Group ceases to capitalise borrowing costs as soon as the properties are ready for the Target Group's intended sale.

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

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

Properties under development for sale/properties held for sale

Properties under development for sale which are intended to be sold upon completion of development and properties held for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development for sale/properties held for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Group must incur to make the sale.

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

Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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 Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base 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 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 investment in subsidiary, except where the Target 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 investment 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 the reporting period.

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

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

Current and deferred tax are recognised in profit or loss.

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Amortised cost and interest income

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

Impairment of financial assets subject to impairment assessment under HKFRS 9 “Financial Instruments” (“HKFRS 9”)

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Derecognition of financial assets

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

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

Financial liabilities and equity*Classification as debt or equity*

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including other payables, amounts due to shareholders and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liability

The Target Group derecognises a financial liability when, and only when, the Target 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.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Target Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

5. Key sources of estimation uncertainty

In the application of the Target Group's accounting policies, which are described in note 4, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated net realisable value on properties held for sale

In determining whether write-down should be made to the Target Group's properties held for sale of HK\$Nil, HK\$Nil, HK\$4,858,849,000 and HK\$4,858,849,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022 respectively, the Target Group takes into consideration the prevailing market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses), and also taking into consideration the estimated cost to completion and estimated costs necessary to make the sale of property held for sale. Write-down is made if the estimated market value less estimate cost to completion of properties and costs necessary to make the sale is less than the carrying amount. If the actual net realisable value on properties for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material write-down may result.

6. Segment information

The Target Group determines its operating segments based on the reports reviewed by the management of Target Group, being the chief operating decision maker (the "CODM"), that are used to make strategic decisions. Information reported to the CODM, for the purposes of resource allocation and assessment focuses on revenue analysis as a whole. No other discrete financial information is provided other than the Target Group's results and financial position. No segment information and entity-wide disclosures are presented as there is no revenue generated and no non-current asset during the Relevant Periods.

7. Finance costs

	Year ended 31 December			Six months ended 30 June	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 (unaudited)	2022 HK\$'000
Interests on:					
– Bank borrowings	66,322	63,731	47,876	24,016	25,058
– Amounts due to shareholders	37,805	42,309	46,615	22,846	24,241
	<u>104,127</u>	<u>106,040</u>	<u>94,491</u>	<u>46,862</u>	<u>49,299</u>
Less: Capitalised in properties under development for sale	<u>(104,127)</u>	<u>(106,040)</u>	<u>(46,862)</u>	<u>(46,862)</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>47,629</u>	<u>–</u>	<u>49,299</u>

8. Loss for the year/period

	Year ended 31 December			Six months ended 30 June	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 (unaudited)	2022 HK\$'000
Loss for the year/period has been arrived at after charging:					
Director's remuneration (<i>note 9</i>)	–	–	–	–	–
Auditor's remuneration	<u>95</u>	<u>85</u>	<u>85</u>	<u>48</u>	<u>48</u>

9. Directors' Emoluments

Directors' emoluments

Name of directors of the Target Company	Period of appointment
Mr. Wong Chi Fai	since 9 May 2014
Ms. Fan Man Seung, Vanessa	since 9 May 2014
Mr. Ng Man Fung, Walter	since 31 October 2020
Mr. Kan Sze Man	since 28 January 2022
Mr. Wong Chi Keung	since 28 January 2022
Mr. Hui Wing Mau	9 May 2014 to 28 January 2022
Ms. Hui Mei Mei, Carol	9 May 2014 to 28 January 2022
Mr. Huang Fahui	9 May 2014 to 31 October 2020

No emoluments were recognised or paid by Target Group to the directors of Target Company as compensation for loss of office and inducement to join for the Relevant Periods. The directors of the Target Company had not waived any emoluments during the Relevant Period.

Five highest paid individuals

Remuneration of top five highest paid employees is not presented as there is no staff cost in the Relevant Periods.

10. Taxation

No provision for Hong Kong Profits Tax is made in the Historical Financial Information for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2022 as there are no estimated assessable profits during the Relevant Periods.

The taxation for the year/period can be reconciled to the loss for the year/period per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 (unaudited)	2022 HK\$'000
Loss before taxation	<u>(177)</u>	<u>(171)</u>	<u>(72,343)</u>	<u>(94)</u>	<u>(63,398)</u>
Taxation credit at Hong Kong Profits Tax rate of 16.5%	29	28	11,937	16	10,461
Tax effect of income not taxable for tax purpose	1	–	–	–	–
Tax effect of tax losses not recognised	<u>(30)</u>	<u>(28)</u>	<u>(11,937)</u>	<u>(16)</u>	<u>(10,461)</u>
Taxation for the year/period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

At 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Group had unused tax losses of approximately HK\$1,055,000, HK\$1,228,000, HK\$73,573,000 and HK\$136,972,000 respectively available for offset against future profits. No deferred tax asset has been recognised in respect of such loss due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

11. Dividends

No dividend has been declared or paid by the Target Company in respect of the Relevant Periods.

12. Earnings per share

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

13. Properties held for sale/properties under development for sale

	At 31 December			At 30 June
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Properties held for sale	–	–	4,858,849	4,858,849
Properties under development for sale	3,899,249	4,402,831	–	–
	<u>3,899,249</u>	<u>4,402,831</u>	<u>4,858,849</u>	<u>4,858,849</u>

The amounts represent project of properties held for sale/under development for sale in Hong Kong.

During the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2022, the interest capitalised in properties under development for sale amounted to approximately HK\$104,127,000, HK\$106,040,000, HK\$46,862,000, and HK\$Nil respectively.

14. Prepayments, deposits and other receivable

	At 31 December			At 30 June
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other receivable	–	–	–	43,512
Prepayments and deposits	4,573	28,205	1,984	1,827
	<u>4,573</u>	<u>28,205</u>	<u>1,984</u>	<u>45,339</u>

As at 30 June 2022, other receivable is deposit received for sale of the Target Group's property of HK\$43,512,000 under the custody of the independent lawyers on behalf of the Target Group.

Prepayments and deposits mainly represent prepayments for construction cost, utilities and building management deposits with counterparties which have no history of default.

Details of impairment assessment of deposits and other receivables are set out in note 23(b).

15. Bank balances

Bank balances of saving account carry interest at prevailing market rate of 0.01% per annum at 31 December 2019, 2020 and 2021 and 30 June 2022.

16. Other payables and accruals

	At 31 December			At 30 June
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued construction costs	–	–	212,173	201,809
Other payables and accruals	5,158	3,194	9,068	6,244
	<u>5,158</u>	<u>3,194</u>	<u>221,241</u>	<u>208,053</u>

The accrued construction costs relate to construction of properties held for sale/properties under development for sale which will be transferred to trade payables on achieving payment milestones as stipulated in the agreements with the subcontractors.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, amount due to a related company of HK\$3,070,000, HK\$1,976,000, HK\$1,427,000 and HK\$1,468,000 are included in other payables and accruals, respectively. The related company is indirectly controlled by the ultimate holding company of one of the shareholders of the Target Company and the amounts are unsecured, interest-free and repayable on demand.

17. Amounts due to shareholders

At 31 December 2019, 2020 and 2021 and 30 June 2022, amounts due to shareholders of HK\$1,770,000,000, HK\$2,032,000,000, HK\$2,192,600,000 and HK\$2,227,000,000 are unsecured, repayable on demand and carry interest at 2.2% per annum.

The remaining amounts are unsecured, interest-free and repayable on demand.

18. Contract liability

	At 31 December			At 30 June
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Proceeds received on sales of properties	–	–	–	43,512
	<u>–</u>	<u>–</u>	<u>–</u>	<u>43,512</u>

There is no contract liability recognised as at 1 January 2019.

During the Relevant Periods, there is no contract liability balance at the beginning of the year was recognised as revenue.

The Target Group receives 5% of the contract value as deposits from customers when customers sign the sale and purchase agreement. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

19. Bank borrowings

The bank borrowings carry interest at Hong Kong Inter-bank Offered Rate (“HIBOR”) plus 1.95% per annum at 31 December 2019, 2020 and 2021 and 30 June 2022.

As at 31 December 2019, 2020 and 2021, the bank borrowings are secured by the Target Group’s properties held for sale/properties under development for sale together with corporate guarantees from the ultimate/intermediate holding company of shareholders, corporate guarantee from a former shareholder, personal guarantees from a former director.

As at 30 June 2022, the bank borrowings are secured by the Target Group’s properties held for sale together with corporate guarantees from the ultimate/intermediate holding company of shareholders and assignment of sale proceeds related to transfer or disposal of the properties. The bank borrowings are repayable as follows:

	At 31 December			At 30 June
	2019	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Within one year	1,963,146	2,330,000	2,330,000	2,330,000
Less: Amounts due within one year shown under current liabilities	<u>(1,963,146)</u>	<u>(2,330,000)</u>	<u>(2,330,000)</u>	<u>(2,330,000)</u>
Amounts due after one year shown under non-current liabilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

As at 31 December 2019, 2020 and 2021 and 30 June 2022, except for a bank borrowing of HK\$100,000,000, HK\$100,000,000, HK\$100,000,000 and HK\$100,000,000 respectively which is a revolving loan in nature, the remaining bank borrowings have been extended by entering the letter of agreements with the bank upon each maturity date.

20. Share capital

	Number of shares	Amount US\$
Ordinary shares of US\$1 each		
Authorised:		
At 1 January 2019, 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022	<u>10</u>	<u>10</u>
Shown in Historical Financial Information as		<u>—*</u>

* Less than HK\$1,000

21. Major non-cash transaction

During the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022, interest expenses of HK\$37,805,000, HK\$42,309,000, HK\$46,615,000, HK\$22,846,000 (unaudited) and HK\$24,241,000 are settled through current accounts with shareholders.

22. Capital risk management

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

The capital structure of the Target Group consists of the amounts due to shareholders and bank borrowings as disclosed in notes 17 and 19, respectively, net of cash and cash equivalents, and equity attributable to owners of the Target Company, comprising issued share capital and accumulated losses.

The management of the Target Group reviews the capital structure on a regular basis. As part of this review, the management of the Target Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Target Group, the Target Group will balance its overall capital structure through issue of new debt or the redemption of existing debt.

23. Financial instruments

(a) *Categories of financial instruments*

	At 31 December			At 30 June
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Amortised cost:				
Deposits and other receivables	746	744	1,984	44,267
Bank balances	17,400	159,214	82,336	64,548
	<u>18,146</u>	<u>159,958</u>	<u>84,320</u>	<u>108,815</u>
Financial liabilities				
Amortised cost:				
Other payables	3,070	1,976	5,431	1,486
Amounts due to shareholders	1,953,961	2,258,270	2,465,485	2,524,126
Bank borrowings	1,963,146	2,330,000	2,330,000	2,330,000
	<u>3,920,177</u>	<u>4,590,246</u>	<u>4,800,916</u>	<u>4,855,612</u>

(b) *Financial risk management objectives and policies*

The Target Group's financial instruments include deposits and other receivables, bank balances, other payables, amounts due to shareholders and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Target Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Target Group's fair value interest rate risk relates primarily to fixed-rate amounts due to shareholders. The Target Group's cash flow interest rate risk relates primarily to variable-rate bank balances and bank borrowings. The Target Group currently does not have policy on cash flow hedges of interest rate risk. However, the management of the Target Group monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Target Group is exposed to cash flow interest rate risk has been determined based on the exposure to interest rates for the variable-rate bank balances and bank borrowings at the end of the reporting period and the reasonably possible change in interest rates taking place at the beginning of the reporting period and held constant throughout the year/period.

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates (“IBORs”) with alternative nearly risk-free rates. Details of the impacts on the Target Company’s risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under “interest rate benchmark reform” in this note.

Interest rate sensitivity analysis

Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rate had been 100 basis points higher, the post-tax loss for the year/period will increase by HK\$19,456,000 and HK\$7,748,000 for the year ended 31 December 2021 and six months ended 30 June 2022. If interest rates had been lower in an opposite magnitude, the potential effect on the result would be equal and opposite.

Since all the finance costs relating to the bank borrowings had been capitalised in properties under development for sale, the Target Group had no exposure to interest rates on bank borrowings to its loss for the years ended 31 December 2019 and 2020.

Credit risk management and impairment assessment

The Target Group’s maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

Other receivable

No impairment allowance was made for other receivable since the management of the Target Group considers the probability of default is minimal after assessing the counterparty’s financial background and creditability.

Bank balances

The credit risk on bank balances is limited because the counterparty is a bank with high credit-ratings assigned by international credit-rating agencies. The Target Group has no other significant concentration of credit risk.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

- Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

All financial assets are at stage 1 as at 31 December 2019, 2020 and 2021 and 30 June 2022.

Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Target Group to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

As at 30 June 2022, the Target Group's current liabilities exceeded its current assets by HK\$136,955,000. Hence, the Target Group is exposed to liquidity risk as it relies on financial support from C C land, Emperor and CSI which have agreed to provide adequate funds to the Target Group to meet in full its financial obligations as they fall due in the foreseeable future. In addition, in July 2022, the Target Group drew down and utilised the term loan of HK\$2,330 million according to the new facility agreement to fully repay the bank borrowings of HK\$2,330 million as at 30 June 2022. Bank borrowings of HK\$2,283 million are repayable from July 2023 to January 2025.

The Target Group also relies on bank borrowings and shareholder's funds as a significant source of liquidity. The management monitors the utilisation of the bank borrowings and ensures compliance with loan covenants.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Target Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment date.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is based on interest rate curve at the end of the reporting period.

Liquidity risk tables

	Weighted average effective interest rate %	Less than 1 year or repayable on demand HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
At 31 December 2019				
Other payables	–	3,070	3,070	3,070
Amounts due to shareholders				
– interest bearing portion	2.20	1,770,000	1,770,000	1,770,000
Amounts due to shareholders	–	183,961	183,961	183,961
Bank borrowings	4.64	2,054,236	2,054,236	1,963,146
		<u>4,011,267</u>	<u>4,011,267</u>	<u>3,920,177</u>
At 31 December 2020				
Other payables	–	1,976	1,976	1,976
Amounts due to shareholders				
– interest bearing portion	2.20	2,032,000	2,032,000	2,032,000
Amounts due to shareholders	–	226,270	226,270	226,270
Bank borrowings	2.20	2,381,260	2,381,260	2,330,000
		<u>4,641,506</u>	<u>4,641,506</u>	<u>4,590,246</u>
At 31 December 2021				
Other payables	–	5,431	5,431	5,431
Amounts due to shareholders				
– interest bearing portion	2.20	2,192,600	2,192,600	2,192,600
Amounts due to shareholders	–	272,885	272,885	272,885
Bank borrowings	2.11	2,379,163	2,379,163	2,330,000
		<u>4,850,079</u>	<u>4,850,079</u>	<u>4,800,916</u>
At 30 June 2022				
Other payables	–	1,486	1,486	1,486
Amounts due to shareholders				
– interest bearing portion	2.20	2,227,000	2,227,000	2,227,000
Amounts due to shareholders	–	297,126	297,126	297,126
Bank borrowings	2.17	2,330,000	2,330,000	2,330,000
		<u>4,855,612</u>	<u>4,855,612</u>	<u>4,855,612</u>

Interest rate benchmark reform

As disclosed in note 19, the Target Group's HIBOR bank borrowings may be subject to the interest rate benchmark reform. The Target Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant interbank offered rate regulators.

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

Progress towards implementation of alternative benchmark interest rates

As part of the Target Group's risk management for transition, new contracts entered into by the Target Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Target Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 30 June 2022. The amounts of financial liabilities are shown at their carrying amounts.

Financial instruments prior to transition	Maturing in	HK\$'000	Transition progress for financial instruments
Non-derivative financial liability			
Bank borrowings linked to HIBOR	2022	2,330,000	HIBOR will continue till maturity

(c) Fair value measurements

The management of the Target Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost at the respective end of reporting periods approximate their fair values.

24. Reconciliation of liabilities arising from financing activities

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

	Interest payable <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i> <i>(note 19)</i>	Amounts due to shareholders <i>HK\$'000</i> <i>(note 17)</i>	Total <i>HK\$'000</i>
At 1 January 2019	2,281	1,480,000	1,802,156	3,284,437
Financing net cash flows	(66,609)	483,146	114,000	530,537
Interests capitalised in property under development	66,322	–	37,805	104,127
At 31 December 2019	1,994	1,963,146	1,953,961	3,919,101
Financing net cash flows	(64,602)	366,854	262,000	564,252
Interests capitalised in property under development	63,731	–	42,309	106,040
At 31 December 2020	1,123	2,330,000	2,258,270	4,589,393
Financing net cash flows	(48,864)	–	160,600	111,736
Interests capitalised in property under development	24,016	–	22,846	46,862
Interest expenses	23,860	–	23,769	47,629
At 31 December 2021	135	2,330,000	2,465,485	4,795,620
Financing net cash flows	(24,976)	–	34,400	9,424
Interests expenses	25,058	–	24,241	49,299
At 30 June 2022	<u>217</u>	<u>2,330,000</u>	<u>2,524,126</u>	<u>4,854,343</u>
At 31 December 2020	1,123	2,330,000	2,258,270	4,589,393
Financing net cash flows (unaudited)	(24,998)	–	109,000	84,002
Interests capitalised in property under development (unaudited)	24,016	–	22,846	46,862
At 30 June 2021 (unaudited)	<u>141</u>	<u>2,330,000</u>	<u>2,390,116</u>	<u>4,720,257</u>

25. Related party transactions

Other than those disclosed elsewhere in the Historical Financial Information, the Target Group also had the following transaction and balances with related parties:

	Year ended 31 December			Six months ended 30 June	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 (unaudited)	2022 HK\$'000
Project management fee paid to a fellow subsidiary of a shareholder of the Target Company	2,989	3,013	4,220	1,919	2,464
Less: Capitalised in properties under development for sale	(2,989)	(3,013)	(3,095)	(1,919)	–
	–	–	1,125	–	2,464
Accountancy fee paid to a fellow subsidiary of a shareholder of the Target Company	72	72	72	36	36
	At 31 December			At 30 June	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
Corporate guarantees by the ultimate/intermediate holding company of shareholders of the Target Company	1,412,400	1,412,400	1,412,400	2,330,000	
Corporate guarantee by a former shareholder of the Target Company	941,600	941,600	941,600	–	
Personal guarantees by a former director of the Target Company	1,412,400	1,412,400	1,412,400	–	

26. Financial Information of the Target Company

The financial information of the Target Company as at 31 December 2019, 2020 and 2021 and 30 June 2022 is as follows:

	At 31 December			At 30 June
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current asset				
Investment in a subsidiary	_*	_*	_*	_*
Current asset				
Amount due from a subsidiary	1,953,858	2,258,149	2,465,346	2,523,982
Current liabilities				
Other payables and accruals	–	–	–	5
Amounts due to shareholders	1,953,961	2,258,270	2,465,485	2,524,126
	<u>1,953,961</u>	<u>2,258,270</u>	<u>2,465,485</u>	<u>2,524,131</u>
NET CURRENT LIABILITIES	<u>(103)</u>	<u>(121)</u>	<u>(139)</u>	<u>(149)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>(103)</u>	<u>(121)</u>	<u>(139)</u>	<u>(149)</u>
Capital and reserve				
Share capital	_*	_*	_*	_*
Accumulated losses	(103)	(121)	(139)	(149)
TOTAL DEFICIT	<u>(103)</u>	<u>(121)</u>	<u>(139)</u>	<u>(149)</u>

* *Less than HK\$1,000*

Movement in the Target Company's reserve

	Accumulated losses HK\$'000
At 1 January 2019	(87)
Loss and total comprehensive expense for the year	<u>(16)</u>
At 31 December 2019	(103)
Loss and total comprehensive expense for the year	<u>(18)</u>
At 31 December 2020	(121)
Loss and total comprehensive expense for the year	<u>(18)</u>
At 31 December 2021	(139)
Loss and total comprehensive expense for the period	<u>(10)</u>
At 30 June 2022	<u><u>(149)</u></u>

27. Particulars of subsidiary

Particulars of the subsidiary of the Target Company as at 31 December 2019, 2020 and 2021 and 30 June 2022 are as follows:

Name of subsidiary	Place of operation/ incorporation	Class of shares held	Issued and fully paid-up share capital	Equity attributable to the Target Company				At the date of this report	Principal activity
				At 31 December		At 30 June			
				2019	2020	2021	2022		
				%	%	%	%	%	
Talent Charm Corporation Limited	Hong Kong	ordinary	HK\$1	100	100	100	100	100	Property development

The subsidiary has adopted 31 December as its financial year end date.

The statutory financial statements of the subsidiary for each of the years ended 31 December 2019 and 2020 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us. The statutory financial statements of the subsidiary for the year ended 31 December 2021 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Cheng & Cheng Limited, certified public accountants registered in Hong Kong.

The subsidiary had not issued any debt securities as at 31 December 2019, 2020 and 2021 and 30 June 2022.

28. Subsequent event

In June 2022, the Target Group entered into a new facility agreement with a bank in respect of a term loan of HK\$2,330 million. In July 2022, the Target Group drew down and utilised the term loan of HK\$2,330 million according to the new facility agreement to fully repay the bank borrowings outstanding as at 30 June 2022 amounting to HK\$2,330 million.

29. Subsequent financial statements

No audited financial statements of the Target Group, the Target Company or its subsidiary have been prepared in respect of any period subsequent to 30 June 2022.

2 MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The following management discussion and analysis of the Target Group do not form part of the accountants' report as set out in part 1 of Appendix II to this circular and should be read in conjunction with the accountants' report of the Target Group for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 and for the six months ended 30 June 2022.

The Target Company is incorporated in the British Virgin Islands with limited liability, which is the immediate holding company of the Property Owner. The principal activities of the Target Company and the Property Owner are investment holding and property development respectively.

Business Review

The principal asset of the Target Group is the Property, which comprises a total of 15 luxury villas with a total saleable area of approximately 97,000 square feet. All the villas have built-in lifts, gardens, usable rooftops and parking spaces. Among them, 13 villas have also private swimming pools. Construction of the Property has been completed in 2021 and marketing commenced in 2022 with a successful sale of two villas at prices of approximately HK\$870 million and HK\$435 million respectively, equivalent to HK\$108,000 per square feet and HK\$92,000 per square feet.

Except for holding of the Property, the Target Group has no significant investment during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

The Target Group has no future plans for new business, new products and new services, and has no future plans for material investments or capital assets in the coming year.

Financial Review

Revenue

No revenue was recognized in the periods under review since the Property was only launched to the market for sale in May 2022. Two villas have been contracted sold and one of which has been completed and revenue has been recognized in October 2022, while the sales of the remaining one will be recognized in 2023 when the transaction is completed.

Finance Costs

An analysis of the Target Group's finance costs for the years ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022 is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 (Unaudited)	2022 HK\$'000
Interest on bank borrowings	66,322	63,731	47,876	24,016	25,058
Interest on amounts due to shareholders	37,805	42,309	46,615	22,846	24,241
	104,127	106,040	94,491	46,862	49,299
Less: Capitalized in properties under development for sale	(104,127)	(106,040)	(46,862)	(46,862)	–
Finance cost charged to profit or loss	–	–	47,629	–	49,299

Liquidity and Financial Resources

The amounts due to shareholders denominated in HK\$, which were unsecured and repayable on demand, amounted to HK\$1,953,961,000, HK\$2,258,270,000, HK\$2,465,485,000, and HK\$2,524,126,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively, of which HK\$1,770,000,000, HK\$2,032,000,000, HK\$2,192,600,000 and HK\$2,227,000,000 bore fixed interest rate at 2.2% per annum respectively, while the remaining balances were interest free.

Bank borrowing denominated in HK\$ amounted to HK\$1,963,146,000 as at 31 December 2019 and HK\$2,330,000,000 as at 31 December 2020 and 2021 and 30 June 2022, and the weighted average effective interest rate were 4.64%, 2.20%, 2.11%, and 2.17% per annum, respectively. All bank borrowing were due within one year. The Target Group's gearing ratio, as calculated by total bank borrowings over total assets, was 50.1%, 50.8%, 47.1% and 46.9% as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively.

The shareholders of the Target Group have agreed to provide adequate funds to the Target Group to meet in full its financial obligations as they fall due in the foreseeable future.

Contingent Liabilities

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Group did not have any significant contingent liabilities.

Pledge of Assets

The bank borrowings were secured by properties under development for sale in the amount of HK\$3,899,249,000 and HK\$4,402,831,000 as at 31 December 2019 and 2020 respectively, and properties held for sale in the amount of HK\$4,858,849,000 as at 31 December 2021 and 30 June 2022, corporate guarantee from shareholders of the Target Group, personal guarantee from a director and assignment of sale proceeds related to transfer or disposal of the Property.

Foreign Currency Risks

During the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022, the Target Group did not have any material foreign currency risks.

Material Acquisitions and Disposals

During the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022, the Target Group did not have any material acquisitions and disposals, including subsidiaries and associated companies.

Employees

During the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022, the Target Group did not hire any employee.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The following is an illustrative unaudited pro forma consolidated statement of financial position of C C Land Holdings Limited (the “**Company**”) and its subsidiaries (hereafter collectively referred to as the “**Group**”), (the “**Unaudited Pro Forma Financial Information**”), immediately after the proposed acquisition of 10% of the share capital issued by Superb Land Limited (the “**Target Company**”) (being the 50% of the share capital issued by the Target Company held by Easycrest Limited (“**Easycrest**”), a wholly owned subsidiary of Mingfa Group (International) Company Limited (“**Mingfa**”) and 50% of all loan(s), interests, indebtedness and sums owed by the Target Company to Ming Fat Holdings (Hong Kong) Limited (“**Ming Fat**”), a wholly owned subsidiary of Mingfa (collectively, the “**Acquisition**”) (the Target Company and its subsidiary (the “**Target Group**”) and the Group are hereinafter collectively referred to as the “**Enlarged Group**”). The Unaudited Pro Forma Financial Information comprises the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2022, which have been prepared by the Directors of the Company (the “**Directors**”) on the basis of notes set out below and in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effects of the Acquisition on the Group for inclusion in this circular.

The preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022, which has been extracted from the published interim report of the Company for the six months ended 30 June 2022 and the consolidated statement of financial position of the Target Group as at 30 June 2022, which has been extracted from Appendix II to this circular and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Acquisition had been completed on 30 June 2022.

A narrative description of the pro forma adjustments of the Acquisition that are directly attributable to the transactions and factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not purport to describe the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2022 to which it is made up to or at any future dates. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group’s future financial positions.

The Unaudited Pro Forma Financial Information should be read in conjunction with the published interim report of the Company for the six months ended 30 June 2022, the announcement of the Company dated 16 September 2022 and other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE
ENLARGED GROUP

	Unaudited consolidated statement of financial position of the Group as at 30 June 2022 HK\$'000 Note 1	Pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Enlarged Group HK\$'000
		HK\$'000 Note 2	HK\$'000 Note 3	
NON-CURRENT ASSETS				
Property and equipment	194,099			194,099
Investment properties	13,776,581			13,776,581
Golf club membership	10,540			10,540
Investments in joint ventures	7,871,849	465,241		8,337,090
Investments in associates	1,461,359			1,461,359
Prepayments, deposits and other receivables	4,573			4,573
Derivative financial instruments	53,879			53,879
Deferred tax assets	13,345			13,345
Total non-current assets	23,386,225	465,241		23,851,466
CURRENT ASSETS				
Trade receivables	15,633			15,633
Prepayments, deposits and other receivables	1,306,193			1,306,193
Financial assets at fair value through profit or loss	1,236,188			1,236,188
Derivative financial instruments	2,119			2,119
Prepaid income tax	2,117			2,117
Pledged deposits	323,813			323,813
Restricted bank balances	90,397			90,397
Cash and cash equivalents	2,729,534	(325,000)	(3,300)	2,401,234
Total current assets	5,705,994	(325,000)	(3,300)	5,377,694
CURRENT LIABILITIES				
Other payables and accruals	316,677			316,677
Interest-bearing bank and other borrowings	2,136,252			2,136,252
Tax payable	84,551			84,551
Total current liabilities	2,537,480			2,537,480
NET CURRENT ASSETS	3,168,514	(325,000)	(3,300)	2,840,214
TOTAL ASSETS LESS CURRENT LIABILITIES	26,554,739	140,241	(3,300)	26,691,680

APPENDIX III

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

	Unaudited consolidated statement of financial position of the Group as at 30 June 2022 <i>HK\$'000</i> <i>Note 1</i>	Pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Enlarged Group <i>HK\$'000</i>
		<i>HK\$'000</i> <i>Note 2</i>	<i>HK\$'000</i> <i>Note 3</i>	
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	7,004,766			7,004,766
Notes payable	2,310,795			2,310,795
Other payables	34,434			34,434
Total non-current liabilities	9,349,995			9,349,995
Net assets	17,204,744	140,241	(3,300)	17,341,685
EQUITY				
Issued capital	388,233			388,233
Reserves	16,816,511	140,241	(3,300)	16,953,452
Total equity	17,204,744	140,241	(3,300)	17,341,685

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

- (1) The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2022 as set out in the published interim report of the Group for the six months ended 30 June 2022.
- (2) The amounts represent the proposed acquisition of 10% equity interest in the Target Company and 50% of the shareholder's loans of approximately HK\$252,400,000 owed by the Target Company to Ming Fat at a net cash consideration of HK\$319,000,000 and advancement of a shareholder's loan to the Target Company in the principal amount of HK\$6,000,000 pursuant to Deed of Assumption of Debt entered into by Ming Fat and the Target Company, as set out in the Letter from the Board section of this circular.

The Target Group will be accounted for as a joint venture using the equity method of accounting in accordance with HKAS 28 *Investments in Associates and Joint Ventures* in the consolidated financial statements of the Group as all decisions about the relevant activities require the unanimous consent of all the shareholders of the Target Company. In accordance with HKAS 28, on acquisition of the investment of joint ventures, any difference between the total consideration and the Group's share of the net fair value of the Target Group's identifiable assets and liabilities is accounted for as follows (a) goodwill relating to a joint venture is included in the carrying amount of the investment in the Target Group; or (b) excess of the Group's share of the net fair value of the Target Group's identifiable assets and liabilities over the total consideration is included as income in the determination of the Group's share of the Target Group's profit or loss in the period in which the investment is acquired in the Unaudited Pro Forma Financial Information, as illustrated below:

	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)
Properties held for sale	<i>(a)</i>	7,500,000
Prepayments, deposits and other receivables		45,339
Bank balances		64,548
Other payables and accruals		(208,053)
Contract liability		(43,512)
Bank borrowings		(2,330,000)
Deferred tax liabilities	<i>(b)</i>	(435,790)
Amounts due to shareholders		(2,524,126)
Net fair value of the identified assets and liabilities of the Target Group	<i>(c)</i>	<u>2,068,406</u>
The Group's 10% share of the net fair value of the identified assets and liabilities of the Target Group		206,841
Add: Shareholder's loan acquired		<u>258,400</u>
Carrying value of the Group's investments in joint venture		465,241
Less: Total cash consideration paid	<i>(d)</i>	<u>(325,000)</u>
Excess of the Group's share of the net fair value of Target Group's identifiable assets and liabilities over the total consideration		<u>140,241</u>

Notes:

- (a) In the opinion of the directors, the fair value of the properties held for sale of the Target Group was HK\$7,500,000,000, which is extracted from the valuation report dated 24 November 2022 prepared by Knight Frank Petty Limited, a firm of independent professionally qualified valuers engaged by the Company.
 - (b) Deferred tax liabilities arising from the fair value adjustments on properties held for sale, which was calculated based on the difference between the fair value of HK\$7,500,000,000 and the book value of HK\$4,858,849,000 at the prevailing tax rate of 16.5%.
 - (c) Apart from the properties held for sale and deferred tax liabilities of the Target Group, the book value of the remaining assets and liabilities of the Target Group as at 30 June 2022 were extracted from the consolidated statement of financial position of the Target Group as at 30 June 2022, which was included in Appendix II of this circular. The Directors consider that the book values of the remaining identifiable assets and liabilities approximate to their fair values.
 - (d) Upon completion of the Acquisition, Join Wise Enterprises Limited, a wholly owned subsidiary of the Company, shall enter into the Deed of Assumption of Debt with Ming Fat and the Target Company for the assumption of the obligations of Ming Fat (being the nominated financier of Easycrest) to advance a loan in the principal amount of HK\$6,000,000 at an interest rate of 2.2% per annum to the Target Company in consideration of a payment of an equivalent amount of HK\$6,000,000 to the Group, which shall be settled by offsetting an equivalent amount from the consideration of HK\$325,000,000. After the set-off, the net aggregated amount of the consideration payable by the Group to Easycrest and Ming Fat upon completion of the Acquisition shall be reduced to HK\$319,000,000 and the total cash consideration payable by the Group shall be HK\$325,000,000.
- (3) This adjustment represents estimated direct legal and professional costs related to the Acquisition, which amounts to approximately HK\$3,300,000.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
ENLARGED GROUP**

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.



27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

24 November 2022

To the Directors of C C Land Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma consolidated statement of financial position of C C Land Holdings Limited (the “**Company**”) and its subsidiaries (hereafter collectively referred to as the “**Group**”), immediately after the proposed acquisition of 10% of the share capital issued by Superb Land Limited (the “**Target Company**”) (being the 50% of the share capital issued by the Target Company held by Easycrest Limited, a wholly owned subsidiary of Mingfa Group (International) Company Limited (“**Mingfa**”) and 50% of all loans, interests, indebtedness and sum owed by the Target Company to Ming Fat Holdings (Hong Kong) Limited (“**Ming Fat**”), a wholly owned subsidiary of Mingfa (collectively, the “**Acquisition**”) (the Group and the Target Company are hereinafter collectively referred to as the “**Enlarged Group**”), and related notes (the “**Unaudited Pro Forma Financial Information**”) set out in section A of Appendix III to the circular dated 24 November 2022 (the “**Circular**”) issued by the Company in connection with the Acquisition. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in section A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Company (the “**Directors**”) to illustrate the impact of the Acquisition on the Group’s financial position as at 30 June 2022 as if the Acquisition had taken place on 30 June 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Company’s published unaudited interim report for the six months ended 30 June 2022.

Directors’ responsibility 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 (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality control

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

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition 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 Acquisition 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 Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the 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 by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

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 16 September 2022 of the Property Interest held by the Group.



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

24 November 2022

The Board of Directors
C C Land Holdings Limited,
25th Floor, China Resources Building
No. 26 Harbour Road,
Wan Chai, Hong Kong

Dear Sirs

VALUATION OF NO. 15 SHOUSON, NO. 15 SHOUSON HILL ROAD WEST, HONG KONG (THE “PROPERTY”)

In accordance with the instructions to us from C C Land 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 16 September 2022 (the “**Valuation Date**”) for public disclosure purposes. Our valuation is undertaken by a qualified valuer with relevant experiences as independent valuer. Our valuation is prepared in an unbiased and professional manner. We confirm our independence from the Group, or any other parties related to the disposal.

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 in the subject area are available in the open market. We have adopted the Market Approach on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the Property.

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 timing of transaction, location, view, size, 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 searches 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 Company and have accepted advice given to us on such matters as floor areas and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Property, 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.

Inspection

We have inspected sample units of the Property on 15 September 2022. Inspection of the Property was undertaken by Ms. Caroline Chung, who has two years of experience in valuing properties in Hong Kong under the supervision of qualified valuer Ms. Jennifer Ip MRICS RICS Registered Valuer. 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 and floor areas of the Property but have assumed that the site and floor areas shown on the documents and floor 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 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 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.

In our valuations, 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 sq m = 10.764 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 and Asia Pacific region for various valuation purposes.

PROPERTY HELD FOR SALE

VALUATION

Property interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 16 September 2022
No. 15 Shouson, No. 15 Shouson Hill Road West, Hong Kong (the "Property")	<p>The Property is situated on the northern side of Shouson Hill Road West at its junction with Wong Chuk Hang Path in Shouson Hill on Hong Kong Island.</p> <p>The Property is a low-density luxury house development, known as 'No. 15 Shouson'. It comprises a total of fifteen 3-storey houses with car park facilities. According to the Occupation Permit, the Property was completed in September 2019.</p> <p>The Property is erected on a site registered in the Land Registry as Rural Building No. 1198, with a site area of approximately 116,897 sq ft (10,860 sq m).</p> <p>As per information provided by the Client, the total Saleable Area of the Property is approximately 97,067 sq ft (9,017.74 sq m).</p> <p>The Property is held under Conditions of Sale No. 20223 for a term of 50 years commencing from 13 June 2014. The Property is subject to an annual Government rent which is equivalent to 3% of the rateable value for the time being of the Property.</p>	As at the Valuation Date, the Property was vacant.	HK\$7,500,000,000 (Hong Kong Dollars Seven Billion Five Hundred Million)

Notes:

- (1) Pursuant to records obtained from the Land Registry, the registered owner of the Property is Talent Charm Corporation Limited as at the Valuation Date.
- (2) At the time of our recent search, the Property is subject to the following encumbrances: –
 - (i) Undertaking Letter for Greenery Area to the Building Authority Buildings Department vide memorial no. 19072302080012 dated 11 December 2014;
 - (ii) Undertaking Letter for Balconies of Domestic Units to the Building Authority Buildings Department vide memorial no. 19072302080028 dated 19 October 2015;
 - (iii) Undertaking Letter for Residents' Recreational Facilities to the Building Authority Buildings Department vide memorial no. 19072302080031 dated 1 August 2017;
 - (iv) Occupation Permit No. HK54/2019 (OP) vide memorial no. 19102500750018 dated 26 September 2019;
 - (v) Certificate of Compliance from District Lands Office/Hong Kong West & South Lands Department vide memorial no. 20112502200032 dated 16 November 2020;
 - (vi) Mortgage in favour of the Hongkong and Shanghai Banking Corporation Limited vide memorial no. 21122202320021 dated 9 December 2021;
 - (vii) Agreement for Sale and Purchase with Plans at a consideration of HK\$870,240,000 vide memorial no. 22072201890041 dated 4 July 2022 (Re: House 7 only); and
 - (viii) Agreement for Sale and Purchase with Plans at a consideration of HK\$435,000,000 vide memorial no. 2080801440014 dated 8 August 2022 (Re: House 11 only).

- (3) The Property falls within the “Residential (Group C) 3” zone on the Approved Shouson Hill & Repulse Bay Outline Zoning Plan No. S/H17/13.
- (4) The use and development of the Property are governed by Conditions of Sale No. 20223.
- (5) Pursuant to the floor areas provided by the Company, details of floor area breakdown of the Property are as follows: –

House No.	Gross Floor Area (sq ft)	Saleable Area (sq ft)	Garden (sq ft)
House 1	10,930.89	11,659.9	4,704
House 2	10,908.71	12,073.2	3,841
House 3	8,990.18	9,694.4	3,085
House 5	5,903.33	6,694.7	2,391
House 6	8,990.18	9,549.8	3,139
House 7	7,540.60	8,031.6	3,427
House 8	3,227.68	3,822.7	1,153
House 9	3,227.68	3,727.4	1,048
House 10	4,197.26	4,853.2	1,848
House 11	4,197.26	4,725.7	1,857
House 12	4,197.26	4,695.7	1,582
House 15	4,197.26	4,831.2	1,253
House 16	3,227.68	4,024.8	1,005
House 17	3,227.68	3,776.5	1,040
House 18	4,235.63	4,906.3	1,899
Total (Rounded)	87,199	97,067	33,272

- (6) As at the Valuation Date, two houses with a total saleable area of approximately 12,757 sq ft of the Property has been sold but not delivered to the purchasers, with a total consideration of HK\$1,305,240,000. In arriving at our opinion on the Market Value of the Property, we have taken into account the contracted prices of such portions of the Property.
- (7) In the course of our valuation of the Property, we have referred to sale transaction of houses, which are considered relevant to the Property in terms of property type, location, timing of transaction and size. Five houses from the same locality were exhaustively selected as comparables.
- (8) The unit rates of the five comparables range from about HK\$73,800 to HK\$97,400 per square foot on effective saleable area basis. Adjustments in terms of time, location, size, view, privacy, building age and ceiling height have been considered to reflect the differences between the comparables and the Property. The adjusted unit rates range from about HK\$74,700 to HK\$89,800 per square foot on effective saleable area basis, representing a weighted average unit rate of HK\$80,500 per square foot on effective saleable area basis.

(9) Details of the adjustments applied to the comparables are as follows:

	Property 1	Property 2	Property 3	Property 4	Property 5
Development	No.15 Shouson	No.15 Shouson	Shouson Peak	Shouson Peak	Shouson Peak
Unit	House 11	House 7	House No. 19F	House No. 11G	House No. 11B
Address	15 Shouson Hill Road West	15 Shouson Hill Road West	9-19F Shouson Hill Road	9-19F Shouson Hill Road	9-19F Shouson Hill Road
Saleable area (sq ft)	4,726	8,032	4,237	3,603	3,601
Year of completion	2019	2019	2012	2012	2012
Transaction date	Aug-22	Jul-22	Jul-21	May-21	May-21
Consideration (HK\$)	435,000,000	870,240,000	430,000,000	310,128,000	295,282,000
Effective saleable area unit rate (HK\$ psf approx)	82,700	97,400	90,000	78,100	73,800
Adjustments applied	Downward adjustment in size.	Downward adjustments in size and privacy.	Downward adjustments in time, size, ceiling height and upward adjustment in building age.	Downward adjustments in time, ceiling height and upward adjustment in building age.	Downward adjustments in time, ceiling height and upward adjustment in building age.
Adjusted effective saleable area unit rate (HK\$ psf approx)	80,200	78,800	89,800	79,100	74,700

(10) The weighted average unit rate of HK\$80,500 per square foot on effective saleable area basis has been applied to the reference unit of the Property, and then further adjusted and applied to other houses of the Property by considering the variances in size, view, layout, privacy and facilities. A quantitative adjustment was further applied to the aggregate value to reflect the potential effect on value that might arise if the houses were all to be offered for sale at one and the same time to derive the valuation of HK\$7,500,000,000.

(11) In our valuation, we have assumed the following: –

- (i) The registered owner(s) of the Property are the legal and beneficial owner(s) and are entitled to occupy, let, mortgage and redevelop the Property without any restriction.
- (ii) The Property was vacant as at the Valuation Date and was available for sale in the market on immediate vacant possession basis and in its existing physical state.
- (iii) The Property had a good and marketable title and is free of all material encumbrances and defects as at the Valuation Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ASSOCIATED CORPORATIONS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation(s) (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (“**Model Code**”), to be notified to the Company and the Stock Exchange.

(a) Interests in Shares (long positions)

Name of Directors	Interest in Shares		Interest in underlying Shares pursuant to share options granted by the Company	Aggregate interests	Approximate percentage ⁴
	Personal interests	Corporate interests			
Cheung Chung Kiu	–	2,871,231,906 ¹	–	2,871,231,906	73.96
Lam How Mun Peter	486,753	–	–	486,753	0.01
Leung Chun Cheong	667,000	–	–	667,000	0.02

(b) Interests in shares and debentures of the Company’s associated corporation (long positions)

(i) Shares

Name of Director	Name of associated corporation	Interest in Shares		Aggregate interests	Approximate Percentage ⁴
		Personal interests	Corporate interests		
Cheung Chung Kiu	The Cross-Harbour (Holdings) Limited (stock code: 32)	–	271,616,585 ²	271,616,585	72.88
Cheung Chung Kiu	Instant Glory International Limited	–	1 ³	1	50

(ii) Debentures

Name of Director	Name of associated corporation	Capacity in which interests are held	Amount of debentures held	Amount of debentures in same class in issue
Cheung Chung Kiu	Perfect Point Ventures Limited	Beneficial owner	US\$100,000,000	US\$300,000,000
Lam How Mun Peter	Perfect Point Ventures Limited	Beneficial owner	US\$1,000,000	US\$300,000,000

Notes:

1. Such Shares were held directly by Fame Seeker Holdings Limited (“**Fame Seeker**”), which was wholly-owned by Windsor Dynasty Limited (“**Windsor Dynasty**”), which was in turn wholly-owned by Mr. Cheung Chung Kiu, Chairman of the Board (“**Mr. Cheung**”).
2. Such shares were held directly by Rose Dynamics Limited (“**Rose Dynamics**”), which was wholly-owned by Windsor Dynasty.
3. Such shares were held directly by Victory Trend Holdings Limited (“**Victory Trend**”), which was wholly-owned by Mr. Cheung.
4. Approximate percentage refers to the aggregate interests of a Director in the shares of such company expressed as a percentage (rounded to two decimal places) of the issued share capital of such company as at the Latest Practicable Date.

Save for the fact that Mr. Cheung was the sole director of each of Windsor Dynasty, Fame Seeker, Rose Dynamics and Victory Trend as at the Latest Practicable Date,

- (a) none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO;
- (b) none of the Directors had any direct or indirect interests in any assets which have since 31 December 2021 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (c) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

3. QUALIFICATIONS AND CONSENTS OF THE EXPERTS

The following is the qualifications of the experts who have been named in this circular or have given their opinion or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Knight Frank Petty Limited	Independent Property Valuer

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

As at the Latest Practicable Date, each of the experts named above did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe or to nominate persons to subscribe securities in any member of the Group.

As at the Latest Practicable Date, each of the experts named above had no interest, direct or indirect in any assets which have since 31 December 2021 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. COMPETING INTEREST

As at the Latest Practicable Date, Mr. Cheung in his personal capacity had interests in certain private companies engaged in property investment, development and management services businesses. As such, Mr. Cheung is regarded as being interested in a business which may compete with the business of the Group.

The Directors are aware of the fiduciary duties owed by Mr. Cheung to the Company and that he must, in the performance of his duty as a director, avoid actual and potential conflicts of interest and duty, and not to profit himself to the detriment of the Company. Further, there are provisions in the Bye-laws prohibiting a Director from voting, or being counted in the quorum, on any resolution of the Board approving any contract or arrangement or any other proposal in which the Director or any of his/her associate(s) is materially interested in except for certain permitted matters. The Directors are therefore of the view that the Company is capable of carrying on the Group's business independently of, and at arm's length from, such business in which Mr. Cheung is regarded as being interested and which may compete with the business of the Group.

As at the Latest Practicable Date, to the best knowledge of the Directors and save as disclosed above, none of the Directors or their respective close associates had an interest in any business that competed or was likely to compete, either directly or indirectly, with the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group other than contracts expiring or determinable by the relevant members of the Group within one year without payment of compensation (other than statutory compensation).

6. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the subscription agreement dated 14 September 2021 entered into among Perfect Point Ventures Limited (as issuer, an indirect wholly-owned subsidiary of the Company, the "**Issuer**"), the Company (as guarantor), The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Haitong International Securities Company Limited, Credit Suisse (Hong Kong) Limited, The Bank of East Asia, Limited and China CITIC Bank International Limited (collectively, the "**Joint Lead Managers**") in connection with, among other things, the issue of US\$300,000,000 5.20% guaranteed notes due 2025 (the "**Notes**") by the Issuer and subscription of such principal amount of the Notes by each of the Joint Lead Managers as set out therein;
- (b) the shareholders' agreement dated 28 January 2022 entered into among Rapid Joy Limited (as shareholder, and a wholly-owned subsidiary of the Company), Ultimate Solution Holdings Limited (as shareholder) and the JV Company in relation to the formation, management and operation of the JV Company;

- (c) the bank guarantee dated 28 January 2022 entered into by the Company in favour of a bank to guarantee up to 32% of the obligations of the Property Owner due and payable under certain term loan facilities granted to the Property Owner with an outstanding loan balance of approximately HK\$2,243 million as at the date of the SPA; and
- (d) the SPA.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance and, so far as the Directors were aware, there was no litigation or claims of material importance pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date.

9. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 25/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The Company Secretary of the Company is Ms. Cheung Fung Yee, who is an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.
- (e) The English text of this circular shall prevail over the respective Chinese text in case of inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (www.ccland.com.hk) for a period of 14 days from the date of this circular:

- (a) the SPA;
- (b) the accountants' report of the Target Group prepared by Deloitte Touche Tohmatsu, the text of which are set out in the section headed "1. ACCOUNTANTS' REPORT" in Appendix II to this circular;
- (c) the report prepared by Ernst & Young on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (d) the property valuation report prepared by Knight Frank Petty Limited, the text of which is set out in Appendix IV to this circular; and
- (e) the written consent from each of Deloitte Touche Tohmatsu, Ernst & Young and Knight Frank Petty Limited referred to in the section headed "3. QUALIFICATIONS AND CONSENTS OF THE EXPERTS" in this Appendix.