THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Chi Ho Development Holdings Limited, you should at once hand this Circular and the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

CHI HO DEVELOPMENT HOLDINGS LIMITED
滙隆發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8423)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO (1) ACQUISITION OF 25% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND (2) PROVISION OF FINANCIAL GUARANTEE TO A SUBSIDIARY OF THE TARGET COMPANY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 5 to 18 of this Circular.

A notice convening the EGM to be held at Units 901, 902 and 908, 9/F, Magnet Place Tower 1, 77–81 Container Port Road, Kwai Chung, New Territories, Hong Kong on Thursday, 19 January 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this Circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR THE EXTRAORDINARY GENERAL MEETING

Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including, without limitation, (i) all attendees being required to (a) undergo compulsory body temperature check; and (b) wear surgical masks prior to admission to the EGM venue; (ii) attendees who are subject to health quarantine prescribed by the HKSAR Government not being admitted to the EGM venue; (iii) all attendees being required to wear surgical masks throughout the EGM; (iv) each attendee being assigned a designated seat at the time of registration to ensure social distancing; and (v) no refreshment packs or coffee/tea being provided.

The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind the Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends that the Shareholders appoint the chairman of the EGM as their proxy and submit their form of proxy as early as possible. The form of proxy can be downloaded from the Company's website (www.chdev.com.hk) or the Stock Exchange's website.

The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the EGM.

23 December 2022

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this Circular, the following expressions shall have the following meanings unless the context indicates otherwise:

"Acquisition"	the acquisition of the Sale Shares by Diamond Fort Investments from the Vendor pursuant to the terms and conditions of the S&P Agreement supplemented by the JV Agreement
"Bank" or "Lender"	Nanyang Commercial Bank Limited, a licensed bank in Hong Kong authorized under the Banking Ordinance (Chapter 155 of the laws of Hong Kong)
"Board"	the board of Directors
"Borrower" or "K18"	K18 Property Limited (Company No. 2858599), a company incorporated under the laws of Hong Kong and is a wholly owned subsidiary of the Target Company
"Business Day"	a day (other than Saturdays, Sundays and public holidays) on which licensed banks in Hong Kong are generally open for business
"Capital Reduction"	the capital reduction conducted by the Target Company by way of a paid-up capital return of HK$24,900,000 credited to the shareholder's loan from the previous sole shareholder of the Target Company, Mr. Tam Wai Tong
"Circular"	this circular containing (i) further details of the Acquisition and Financial Guarantee and the transactions contemplated thereunder; (ii) financial information of the Target Company; (iii) valuation report of the Property; (iv) the notice of EGM; and (v) other information as required under the GEM Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	Chi Ho Development Holdings Limited (滙浩發展控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange
"Completion"	the completion of the Acquisition pursuant to the terms and conditions of the S&P Agreement

"Completion Date"	the date of the Completion, which shall take place on the Business Day after the date on which notification of fulfilment (or waiver) of all of the conditions precedent have been served by Diamond Fort Investments or such other date as may be agreed in writing between the parties of the S&P Agreement from time to time when the Completion shall take place
"connected person(s)"	has the meaning as ascribed to it under the GEM Listing Rules
"Consideration"	the total consideration in the sum of HK$1 for the Acquisition payable by Diamond Fort Investments to the Vendor
"Diamond Fort Investments" or "Purchaser"	Diamond Fort Investments Limited (Company No. 2070558), a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
"Director(s)"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the entering into of the S&P Agreement supplemented by the JV Agreement and the Funding Undertaking and the transactions contemplated thereunder
"Enlarged Group"	the Group after acquisition of the Target Company
"Facility Agreement"	the facility agreement dated 2 December 2022 entered into between the Lender and the Borrower in relation to the term loan facilities
"Financial Guarantee"	financial guarantee provided by the Company in favour of the Bank under the Funding Undertaking
"Funding Undertaking"	the deed dated 2 December 2022 entered into among the Lender, the Borrower and the Guarantors in relation to the provision of joint and several guarantee in favour of the Lender to secure the due performance of obligation of the Borrower under the Facility Agreement
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
"Group"	the Company and its subsidiaries

"Guarantor(s)"	Mr. Tam Wai Tong and the Company, being joint and several guarantors under the Funding Undertaking
"HIBOR"	Hong Kong Interbank Offered Rate
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	an individual or a company who or which is independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
"JV Agreement"	the joint venture agreement dated 2 December 2022 entered into among the Vendor, Diamond Fort Investments and the Target Company to supplement the S&P Agreement and set out the governance, responsibilities and capital commitment of the shareholders of Target Company, which shall come into effect subject to Completion
"Latest Practicable Date"	19 December 2022, being the latest practicable date for ascertaining certain information referred to in this Circular prior to its printing
"Previous Acquisition"	acquisition of 25% equity interests in the Target Company detailed in the announcement of the Company dated 8 August 2022
"Project"	the redevelopment of the Property and the construction of a new building to be erected on the Property
"Property"	piece or parcel of ground registered in the Land Registry as Kowloon Inland Lot No.8878 (the "**Lot**") and of and in the messuages erections and buildings (if any) erected thereon now known as No.18 Kimberley Street to the intent that the Property shall comprise the entire land and building (if any) of the Lot thereof
"Registrar"	the Registrar of Companies in Hong Kong
"RMAA"	Repair, maintenance, alteration and addition works
"Sale Shares"	2,000 ordinary shares in the share capital of the Target Company, representing 25% of the issued share capital of the Target Company

"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"S&P Agreement"	the sale and purchase agreement dated 2 December 2022 entered into among the Vendor, Diamond Fort Investments and the Target Company in relation to the Acquisition
"Target Company"	Acasa Property Limited (Company No. 2858581), a company incorporated under the laws of Hong Kong
"Target Group"	the Target Company and K18
"Vendor" or "Joint Venture Partner"	Mr. Tam Wai Tong, the beneficial owner of 75% issued share capital of the Target Company (including the Sale Shares) as at the Latest Practicable Date
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent

CHI HO DEVELOPMENT HOLDINGS LIMITED
滙漢發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8423)

Executive Directors:
Mr. Leung Ka Ho, Raymond *(Chairman)*
Mr. Ho Chi Kwan

Independent non-executive Directors:
Mr. Leung Hung Kwong, Derrick
Mr. Moy Yee Wo, Matthew
Mr. Yau Sze Yeung

Registered office:
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Head office and principal place of business in Hong Kong:
Units 901, 902 and 908, 9/F
Magnet Place Tower 1
77–81 Container Port Road
Kwai Chung, New Territories
Hong Kong

23 December 2022

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO (1) ACQUISITION OF 25% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND (2) PROVISION OF FINANCIAL GUARANTEE TO A SUBSIDIARY OF THE TARGET COMPANY

INTRODUCTION

Reference is made to the announcement of the Company dated 2 December 2022 in relation to (i) the Acquisition; and (ii) provision of the Financial Guarantee. The purpose of this Circular is to provide you with (i) further details of the Acquisition and the Financial Guarantee; (ii) financial information of the Target Company; (iii) valuation report of the Property; and (iv) a notice of EGM.

On 2 December 2022 (after trading hours), Diamond Fort Investments, being a wholly-owned subsidiary of the Company, entered into the S&P Agreement supplemented by the JV Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and Diamond Fort Investments has conditionally agreed to purchase the Sale Shares, representing 25% of the issued share capital of the Target Company for a total Consideration of HK$1.

Pursuant to the JV Agreement, Diamond Fort Investments and the Joint Venture Partner have conditionally agreed to commit shareholders' loans to the Target Company amounting to HK$40 million and HK$100 million respectively. Together with the equity interests acquired in the Previous Acquisition, the Target Company will become a joint venture company owned as to 50% by the Company upon Completion.

On 2 December 2022 (after trading hours), the Bank as Lender, K18 as Borrower and the Company and Joint Venture Partner as joint and several Guarantors entered into the Funding Undertaking pursuant to which the Company and Joint Venture Partner have undertaken to provide guarantee for the 36-month term loan facilities up to a maximum gross principal amount of HK$154 million to be provided by the Bank to K18 for the development of the Property.

The Acquisition and the Financial Guarantee are not inter-conditional with each other.

THE S&P AGREEMENT AND THE JV AGREEMENT

The principal terms of the S&P Agreement and the JV Agreement are set out below:

Date

2 December 2022

Parties

1. Diamond Fort Investments (as the Purchaser)

2. Mr. Tam Wai Tong (as the Vendor)

3. The Target Company

Assets to be acquired

Pursuant to the terms and conditions of the S&P Agreement, the Vendor has conditionally agreed to sell and Diamond Fort Investments has conditionally agreed to purchase the Sale Shares, representing 25% of the issued share capital of the Target Company.

The major asset of the Target Company is its investment in the entire share capital of K18. The major asset of K18 is the Property.

As at the Latest Practicable Date, (i) the Vendor is the registered, legal and beneficial owner of the Sale Shares; (ii) the Target Company is the sole registered, legal and beneficial owner of K18; and (iii) K18 is the sole registered, legal and beneficial owner of the Property.

Consideration

The Consideration shall be HK$1 payable on Completion, which will be settled in cash.

Basis of Consideration

The Consideration was arrived at after arm's length negotiations between Diamond Fort Investments and the Vendor on normal commercial terms with reference to, among other things, (i) the consideration of the Previous Acquisition of HK$1 for 25% equity interest in the Target Company; (ii) the consolidated net asset value of the Target Company of approximately HK$18,000 as at 31 December 2021 (assuming the Capital Reduction were effective in FY2021); and (iii) the reasons for and benefits of the Acquisition as described in the section headed "Reasons for and benefits of the Acquisition and provision of Financial Guarantee" below.

Given that the Previous Acquisition of 25% equity interest in the Target Company was completed recently on 8 August 2022 and the Project is at its early stage of development where the Target Company has yet to generate any income, the Directors are of the view that the HK$1 consideration of the Previous Acquisition serves as a fair and reasonable reference to determine the Consideration. Also, following the completion of the Capital Reduction, contribution of the Joint Venture Partner to the share capital of the Target Company is reduced to HK$107,000 which is immaterial. Having considered that the consolidated net asset value of the Target Company of approximately HK$18,000 as at 31 December 2021 (assuming the Capital Reduction were effective in FY2021) is immaterial and construction works of the Project has yet to commence, the Directors are of the view that the nominal Consideration of HK$1 is fair and reasonable and determined on normal commercial terms.

Capital commitment

Pursuant to the JV Agreement, the Company has conditionally committed to provide a shareholder's loan amounting to HK$40 million to be utilised by the Target Company during the course of development of the Project.

The Joint Venture Partner has conditionally committed to provide a shareholder's loan amounting to HK$100 million to the Target Company. As at the Latest Practicable Date, the Target Company had an outstanding shareholder's loan from the Joint Venture Partner amounted to approximately HK$179.7 million. It was agreed in the JV Agreement that upon obtaining the term loan facilities from the Bank and the shareholder's loan from the Company, the Target Company will repay the shareholder's loan of HK$80 million to the Joint Venture Partner.

For the avoidance of doubt, before the Target Company can successfully obtain the term loan facilities from the Bank and the shareholder's loan from the Company to materialize the repayment of HK$80 million shareholder's loan from the Joint Venture Partner, the Joint Venture Partner will continue to fund the operation of the Target Company so that the outstanding shareholder's loan from the Joint Venture Partner before the forementioned repayment will be no less than HK$180 million. The Joint Venture Partner will maintain the HK$100 million shareholder's loan in the Target Company as committed after the repayment of the forementioned HK$80 million shareholder's loan.

The shareholders' loans from the Company and the Joint Venture Partner shall charge interests of 1-month HIBOR plus 2.85% per annum which make reference to the interest rate of the term loan facilities charged by the Bank.

The Directors consider that the amount of shareholder's loan to be provided by the Company is determined with reference to (i) the market value of the Property amounting to HK$173 million which is currently wholly financed by the Joint Venture Partner; and (ii) the estimated construction cost amounting to approximately HK$117 million, to be financed as below:

	HK$' million
Term loan facilities from Bank	154
Shareholder's loan to be committed by Joint Venture Partner	100
Shareholder's loan to be committed by Diamond Fort Investments	40
Total	294

Special provision

The Target Company will be governed by the board of directors appointed by the shareholders in proportion to their shareholdings in the Target Company (i.e. two directors from the Company and two directors from the Joint Venture Partner upon completion of the Acquisition). In consideration of the larger capital commitment of the Joint Venture Partner, it is provided in the JV Agreement that the Joint Venture Partner shall have the final decision and management of the Project. The Company and the Joint Venture Partner have agreed the priority of repayment of outstanding loans by the Target Company in the following order:

1. Any outstanding amount due to the Bank

2. First HK$80 million of shareholder's loan from the Joint Venture Partner

3. First HK$20 million of shareholder's loan from the Company

The remaining HK$20 million shareholder's loan committed by each of the Company and the Joint Venture Partner will rank pari passu in all respects.

The Directors are of the view that the repayment priority of the shareholder's loans is on normal commercial terms and fair and reasonable because (i) the capital commitment of the Joint Venture Partner is larger than that of the Company; and (ii) the Joint Venture Partner will act in the best interest of the Target Company and actively participate in the management of the Project.

Composition of the board of directors

Following the completion of the Acquisition, the board of directors of the Target Company shall comprise four directors which includes the Joint Venture Partner being the chairman and executive director of the Target Company, one director to be appointed by the Joint Venture Partner and two directors to be appointed by the Company. The quorum of a meeting of the board of directors of the Target Company shall be three directors. As at the Latest Practicable Date, the Joint Venture Partner is the sole director of the Target Company.

The board of directors of the Target Company shall be responsible for making decisions relating to the business of the Target Company from time to time. All matters to be determined by the board of directors of the Target Company shall be by majority decision.

Profit distribution

Pursuant to the JV Agreement, each shareholder of the Target Company shall be entitled to receive any distributions as the board of directors of the Target Company may from time to time declare in proportion to its/his shareholding, pari passu with the other shareholders of the Target Company, in accordance with the JV Agreement.

Subject to the requirements of relevant applicable laws, and unless the shareholders of the Target Company and the Target Company otherwise agree in relation to any particular financial year, if any shareholders' loans are outstanding, all distributable profits shall be applied by the Target Company to repay the outstanding principal amount of any shareholder's loans.

Conditions precedent

Completion shall be subject to the following conditions precedent having been satisfied or fulfilled:

(1) the Purchaser being satisfied with the results of the legal and financial due diligence conducted in respect of the Target Company and K18;

(2) K18 remains to be the sole registered, legal and beneficial owner of the Property before and on the Completion Date;

(3) all necessary authorisations, consents and approval from the Stock Exchange in relation to the Acquisition having been obtained and passing by the shareholders of the Company resolutions at the EGM approving the Acquisition; and

(4) no material adverse change having occurred before or on the Completion Date.

Diamond Fort Investments may at its absolute discretion at any time waive in writing any of the conditions (1), (2) and (4) above. If any of the above conditions precedent have not been fulfilled by the Completion Date and have not been waived by Diamond Fort Investments, the S&P Agreement shall automatically terminate with immediate effect.

Completion

Subject to the fulfilment of the conditions precedent set out in the S&P Agreement, Completion shall take place on the Completion Date which shall be on or before 19 January 2023. The Company will make appropriate announcement upon Completion. As at the Latest Practicable Date, condition (1) has been fulfilled.

THE FUNDING UNDERTAKING

The principal terms of the Funding Undertaking and the Facility Agreement are set out below:

Date

2 December 2022

Parties to the Funding Undertaking

1. The Bank (as Lender)

2. K18 (as Borrower)

3. Joint Venture Partner (as Guarantor)

4. The Company (as Guarantor)

Parties to the Facility Agreement

1. The Bank (as Lender)

2. K18 (as Borrower)

The term loan facilities

A term loan facilities to the Borrower up to a maximum gross principal amount of HK$154 million to be drawn in two tranches:

1. First tranche of loan being lower of HK$60.4 million or 40% of valuation of the Property based on the valuation reports required by the Lender which shall be dated not earlier than three months before the date of the Facility Agreement; and

2. Second tranche of loan being lower of HK$93.6 million or 80% of the construction cost of the Project based on the cost estimate to be approved by the Bank and should show the construction costs and related expenses being not more than HK$117 million.

Except for that both the first tranche and second tranche of loan have to be utilized within the term set out below in this section and that there is a project completion guarantee set out in this section, there is no restriction as to the draw down dates. It is expected that the Target Company will utilize the first tranche of term loan on or before 31 January 2023 and commence draw down of the second tranche of term loan two months after commencement of construction work which is around April 2023.

Conditions of utilisation

Conditions precedent for first tranche of loan

The Lender has received, among others, the following documents:

1. all title deeds of the Property;

2. two valuation reports to be prepared by two separate independent professional valuers to certify the market value of the Project on bare site basis and on completion basis;

3. a legal opinion on the Borrower in relation to the laws of Hong Kong;

4. a legal opinion on the Company in relation to the laws of the Cayman Islands; and

5. evidence that the Company has duly obtained its shareholders' approval at the EGM approving the provision of the corporate guarantee.

Conditions precedent for second tranche of loan

The Lender has received, among others, the following documents:

1. the initial construction cost estimate, certified by the quantity surveyor and a director of the Borrower;

2. the initial completion time schedule of the Project, certified by the architect and a director of the Borrower; and

3. the building plans, prepared and signed by the architect and approved by the Building Authority, and certified by a director of the Borrower.

As at the Latest Practicable Date, none of the conditions have been fulfilled.

Term

Earlier of 36 months from the date of first drawdown or 6 months after issuance of occupation permit of the new building to be erected on the Property.

Unfunded amount

The construction costs not funded by the term loan facilities (i.e. 20% of construction cost of the Project or HK$23.4 million) and other cost overrun (if any) shall be financed by the Borrower's internal resources and/or funds provided by the Guarantors.

Project completion guarantee

The Borrower and the Guarantors shall ensure and procure completion of the Project (i.e. obtaining of occupation permit) by 31 January 2025.

Guarantee

A joint and several guarantee by the Company and Joint Venture Partner in favour of the Lender to secure the due performance of the obligation of the Borrower under the Facility Agreement. The terms of the Funding Undertaking correspond to the terms of the Facility Agreement where in case of the Borrower failing to fulfil any of its obligations under the Facility Agreement, the Guarantors are obligated, upon the Lender giving notice, to jointly and severally remedy the breach and perform and comply with all the obligations of the Borrower under the Facility Agreement. No guarantee fee will be charged by the Guarantors.

Collateral

The Property and the new building to be erected on the Property. Entire issued and paid up capital of the Borrower.

Interest rate

1-month HIBOR plus 2.2% per annum.

Handling fee

The Borrower shall pay the Lender a non-refundable handling fee for the term loan facilities amounting to 1.95% flat on the principal amount of the loan on or before the first utilization date.

The terms of the Funding Undertaking were arrived at after arm's length negotiations between the Lender, the Borrower and the Guarantors.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND PROVISION OF FINANCIAL GUARANTEE

The Group is an established main contractor for the provision of RMAA and fitting-out works, site formation and geotechnical works, and new capital works in Hong Kong. The Group also engages in property investment in Hong Kong and earns rental income. The Group's building renovation and construction business has been and will continue to be the core business of the Group. The Directors have been actively seeking and identifying new opportunities to undertake more sizeable construction projects and to broaden the Group's customer base.

The Group decided to participate in the redevelopment of the Property, being the major asset of K18, a wholly owned subsidiary of the Target Company. Following the acquisition of 25% equity interests in the Target Company in the Previous Acquisition, the Group would like to further increase its shareholding in the Target Company to 50% so as to take up a larger stake in the Project.

Having considered that (i) the Acquisition enables the Group to participate in the Project which is an opportunity for the Group to develop its construction business; and (ii) increase in shareholding in the Target Company gives the Group more power to manage the Project with the Joint Venture Partner, the Directors are of the view that the terms and conditions of the S&P Agreement supplemented by the JV Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

To finance the Project, the Borrower has to secure a term loan facility from the Bank. The request of Financial Guarantee by the Bank is arrived at after arm's length negotiations between the Bank, the Borrower and the Company. Since the Guarantors are the ultimate beneficial owner of the Borrower and the funding to be obtained from the Bank will be utilized in development of the Project, the Directors are of the view that it is on normal commercial terms and fair and reasonable for not charging guarantee fee.

Given that the market value of the Property, being the major asset of the Borrower, was HK$173 million as at 30 September 2022 as shown in the valuation report set out in Appendix V to this Circular, the Directors considered that the Borrower has sufficient assets to cover the loan principal and the financial exposure of the Company as Guarantor is reasonably limited.

The Group has conducted background check on financial status of the Joint Venture Partner including land search on a property owned by the Joint Venture Partner and bankruptcy search with no negative records noted. After carrying out the due diligence, the Directors are not aware of any matters that would impair the credibility of the Joint Venture Partner. Having considered that (i) the financial exposure of the Company and the Joint Venture Partner as Guarantors is reasonably limited because the loan principal is less than the market value of the Property; (ii) the fact that the Joint Venture Partner has already injected approximately HK$179.7 million in the form of shareholder's loan to the Target Company as at the Latest Practicable Date; (iii) the Joint Venture Partner is a reputable entrepreneur and a former managing director of a company listed in Hong Kong, details of which are discussed in the section headed ''Information about the Joint Venture Partner''; and (iv) no adverse results are noted in the background check conducted by the Group, the Directors are of the view that the Joint Venture Partner has the credibility and financial capabilities to honour his joint and several obligation as the Guarantor and the Directors are of the view that the Funding Undertaking is on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE TARGET COMPANY AND K18

The Target Company is a company incorporated under the laws of Hong Kong with limited liability on 31 July 2019 and is an investment holding company in which the Vendor owned 75% and the Company owned 25% of its issued share capital. The Target Company directly holds the entire share capital of K18 as at the Latest Practicable Date.

K18 is a company incorporated under the laws of Hong Kong with limited liability on 31 July 2019 and is a property holding company in which it is the sole registered, legal and beneficial owner of the Property. K18 is a wholly-owned subsidiary of the Target Company as at the Latest Practicable Date.

The financial information of the Target Company as extracted from Appendix II for the period since incorporation of the Target Company on 31 July 2019 to 31 December 2020, the year ended 31 December 2021 and nine months ended 30 September 2022 are as follows:

	Nine months ended 30 September 2022	**Year ended 31 December 2021**	**From 31 July 2019 (Date of incorporation) to 31 December 2020**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	—	—	—
Loss before taxation	(8,283)	(55)	(34)
Loss after taxation	(8,283)	(55)	(34)
Bank borrowings	—	(26,167)	(26,167)
Amount due to a director and related companies	(156,469)	(163,250)	(155,572)
Total assets	173,148	217,723	210,075
Net asset value	16,635	24,918	24,973

Since the Joint Venture Partner has contributed HK$25 million while the Company has contributed HK$1 (consideration of the Previous Acquisition) to the share capital of the Target Company, in order to rebalance the initial contribution of the Company and the Joint Venture Partner, the Target Company resolved to proceed a capital reduction by way of a paid-up capital return of HK$24,900,000 which will be credited to the shareholder's loan from the previous sole shareholder of the Target Company, Mr. Tam Wai Tong. The Capital Reduction has become effective on 11 October 2022, upon the registration by the Registrar of the Return of Reduction of Share Capital (by Special Resolution Supported by Solvency Statement) required under the Companies Ordinance. If completion of the Capital Reduction were in FY2021, (i) the amount due to a director and related companies would have increased from approximately HK$163.3 million to HK$188.2 million; and (ii) the consolidated net asset value of the Target Company would have decreased from approximately HK$24,918,000 to HK$18,000. As at the Latest Practicable Date, the outstanding balance of the shareholder's loan from the Joint Venture Partner amounted to approximately HK$179.7 million which has included the forementioned capital return of HK$24.9 million.

INFORMATION OF THE PROPERTY AND THE PROJECT

The Property is a piece of land located at No.18 Kimberley Street. As at 30 September 2022, the market value of the Property as shown in the valuation report set out in Appendix V to this Circular was HK$173 million. The Project is the redevelopment of the Property and the construction of a new building to be erected on the Property. The new building will be for commercial purpose and the Project is currently at the detail design stage for piling and superstructure works. It is expected that on-site construction works will commence in January or February 2023 and will be completed on or before 31 January 2025. The estimated total construction cost of the Project is approximately HK$117 million and is subject to change.

Despite that the Group is mainly involved in RMAA and site formation works in recent years, the Directors are of the view that the Group has accumulated extensive experience in project management by undertaking the role of main contractor in construction works of various types of buildings including residential, commercial, industrial and hospital. Accordingly, the Group possesses the project management and construction capabilities to undertake sizable construction projects and it is expected that the construction part of the Project will be mainly managed by the Group while the subsequent sale or rental of the building will be mainly managed by the Joint Venture Partner.

The Directors of the Group has extensive experience and expertise in construction and property development industry. In particular, Mr. Leung Ka Ho, Raymond, chairman and executive Director of the Group, has over 33 years of experience in the construction and property development industry and possesses extensive knowledge in planning and managing construction and property development projects of various nature. He is a member of Australian Institute of Building, a member of the Chartered Institute of Building, a member of the Hong Kong Institute of Construction Managers (previously known as Hong Kong Institute of Builders), and a member of the Contractor's Authorised Signatory Association Limited. Mr. Ho Chi Kwan, executive Director of the Group, has over 27 years of experience in the construction industry. He is an associate member of Hong Kong Institute of Project Management and a member of Hong Kong Institute of Real Estate Administrators. Accordingly, the Directors consider that they possess the skills and expertise to undertake and manage the Project.

INFORMATION ABOUT THE VENDOR, THE LENDER AND THE BORROWER

The Vendor/Joint Venture Partner is a Hong Kong permanent resident, background of whom is discussed in the section headed "Information about the Joint Venture Partner" below.

The Lender is a licensed bank in Hong Kong authorized under the Banking Ordinance (Chapter 155 of the laws of Hong Kong).

The Borrower is a wholly owned subsidiary of the Target Company, details of which are discussed in the section headed "Information of the Target Company and K18" above.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Vendor, the Lender and the Borrower are Independent Third Parties, which are not connected person(s) of the Company and are independent of and not connected with the Company and the Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

INFORMATION ABOUT THE JOINT VENTURE PARTNER

The Joint Venture Partner was the controlling shareholder and managing director of Group Sense (International) Limited ("**Group Sense**") from 1992 to 2015 (now known as Rare Earth Magnesium Technology Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0601)). He sold the entire interests in Group Sense in 2015 and resigned as director in the same year. He is an entrepreneur with extensive experience in the business of electronic components and consumer electronic products. Despite that the Joint Venture Partner has no experience in construction and property development, the Directors are of the view that his business network and expertise in sales and marketing would create synergy with the Group's construction capabilities in the development of the Project.

GEM LISTING RULES IMPLICATIONS

The Acquisition is related to the Previous Acquisition of 25% equity interests in the Target Company and is considered to be a series of transactions that require aggregation pursuant to Rule 19.22 of the GEM Listing Rules. The Financial Guarantee to be provided by the Company in favour of the Bank under the Funding Undertaking constitutes provision of financial assistance under the GEM Listing Rules. As one or more applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition together with the Financial Guarantee exceeds 100%, the Acquisition together with the Financial Guarantee constitutes a very substantial acquisition of the Company and is therefore subject to reporting, announcement and shareholders' approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

FINANCIAL EFFECTS OF THE ACQUISITION AND FINANCIAL GUARANTEE

1. Assets and liabilities

Set out in Appendix III to this Circular is the unaudited pro forma statement of assets and liabilities of the Enlarged Group which illustrates the financial effects of the Acquisition and the Financial Guarantee. Based on the unaudited pro forma financial information of the Enlarged Group, as at 30 September 2022, the bank balance and cash of the Group would decrease by the consideration paid for the Acquisition (i.e. HK$1) while the Enlarged Group would recognise an investment in a joint venture at cost (i.e. HK$1), leaving the total assets unchanged at approximately HK$318.0 million. The Enlarged Group's total liabilities would remain unchanged at approximately HK$173.8 million. The Target Company will become a joint venture company owned as to 50% by the Company upon Completion and will not be consolidated to the financial statements of the Group. The shareholder's loan committed by the Group amounting to HK$40 million, when being utilized by the Target Company, would result in a decrease in bank balance and cash of the Group and recognition of an amount due from a joint venture.

The Directors consider that the Financial Guarantee will not have any material financial impact on the assets and liabilities of the Group, except that the amount of the Financial Guarantee will be a contingent liability of the Group.

2. Earnings

According to the accountants' report on the Target Company as set out in Appendix II to this Circular, the Target Company recorded net loss of approximately HK$55,000 for the year ended 31 December 2021. The Acquisition would lead to a decrease in the Group's profit for the year by (i) HK$1 being the share of loss of the Target Company; and (ii) HK$556,000 being the professional fee directly attributable to the Acquisition, if the Acquisition were completed on 1 April 2021. The Directors consider that the Financial Guarantee will not have any material financial impact on the earnings of the Group.

PROPERTY VALUATION

The full text of the valuation report of the Property is set out in Appendix V to this Circular.

EGM & CLOSURE OF REGISTER OF MEMBERS

The EGM will be convened for the purpose of considering and, if thought fit, approving the entering into the S&P Agreement supplemented by the JV Agreement, the Funding Undertaking and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, none of the Shareholders or any of their respective close associates has a material interest in the Acquisition and the Financial Guarantee and therefore no Shareholder is required to abstain from voting in the EGM.

A notice convening the EGM to be held at Units 901, 902 and 908, 9/F, Magnet Place Tower 1, 77–81 Container Port Road, Kwai Chung, New Territories, Hong Kong on Thursday, 19 January 2023 at 11:00 a.m., is set out on pages EGM-1 to EGM-2 of this Circular.

A form of proxy for the EGM is enclosed with this Circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not less than 48 hours before the time for holding the EGM or any adjournment thereof, as the case may be. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

The register of members of the Company will be closed from Monday, 16 January 2023 to Thursday, 19 January 2023, both dates inclusive, for the purpose of determining Shareholders' entitlements to attend the EGM. During such period, no transfer of Shares will be registered.

All transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 January 2023 in order to establish the identity of the Shareholders who are entitled to attend and vote at the EGM.

RECOMMENDATION

Having considered the reasons set out herein, the Directors consider that the Acquisition together with the Financial Guarantee are conducted in the ordinary and usual course of business of the Group and the terms of the S&P Agreement, supplemented by the JV Agreement, and the Funding Undertaking are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition, the Financial Guarantee and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

By order of the Board
Chi Ho Development Holdings Limited
Leung Ka Ho, Raymond
Chairman of the Board and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 MARCH 2022 AND SIX MONTHS ENDED 30 SEPTEMBER 2022

Financial information of the Group for the three years ended 31 March 2020, 2021 and 2022 are disclosed on pages 45 to 102 of the annual report of the Company for the year ended 31 March 2021 and pages 50 to 112 of the annual report of the Company for the year ended 31 March 2022. Financial information of the Group for the six months ended 30 September 2022 are disclosed on pages 4 to 18 of the interim report of the Company. Annual reports, quarterly report and interim report of the Company are published on the website of the Stock exchange at www.hkexnews.hk and the website of the Company at www.chdev.com.hk. Quick links to the annual reports, quarterly report and interim report of the Company are set out below:

Annual report of the Company for the year ended 31 March 2020:
www1.hkexnews.hk/listedco/listconews/gem/2020/0629/2020062901552.pdf

Annual report of the Company for the year ended 31 March 2021:
www1.hkexnews.hk/listedco/listconews/gem/2021/0625/2021062500499.pdf

Annual report of the Company for the year ended 31 March 2022:
www1.hkexnews.hk/listedco/listconews/gem/2022/0630/2022063001055.pdf

First quarterly report of the Company for the three months ended 30 June 2022:
www1.hkexnews.hk/listedco/listconews/gem/2022/0812/2022081202252.pdf

Interim report of the Company for the six months ended 30 September 2022:
www1.hkexnews.hk/listedco/listconews/gem/2022/1111/2022111101406.pdf

2. STATEMENT OF INDEBTEDNESS

Bank borrowings

As at 31 October 2022, the Enlarged Group had total outstanding bank borrowings of approximately HK$73.5 million, comprising (i) unsecured and guaranteed bank borrowings of approximately HK$16.7 million; (ii) secured and guaranteed bank borrowings of approximately HK$46.9 million; and (iii) secured and guaranteed factoring loans of approximately HK$9.9 million. The aforesaid guarantees were granted by the Company and/or the personal guarantees provided by the executive Directors.

The range of effective interest rates on bank borrowings as at 31 October 2022 (which are also equal to contracted interest rates) is 2.875% to 5.125% per annum.

As at 31 October 2022, except for bank borrowings of approximately HK$16,690,000 which are secured by personal guarantees provided by the executive Directors of the Company, the remaining bank borrowings are secured by a legal charge over the investment property held by a subsidiary of the Company, certain trade receivables and contract assets, and deposit paid for a life insurance policy.

Surety bonds

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds and secured by deposits. The surety bonds will be released when the construction contracts are practically completed. As at 31 October 2022, the Group had outstanding surety bonds of approximately HK$52,410,000.

Financial guarantee contracts

As at 31 October 2022, there was a financial guarantee to certain bank in respect of banking facilities granted to a related company of the Enlarged Group, Group Sense Limited. The amount that could be required to be paid as at 31 October 2022 is approximately HK$127,998,000, if the guarantee was called upon in entirety, of which full amount of the relevant banking facilities has been utilised by the related company. The Enlarged Group considers the fair value of the contract at initial recognition and the loss allowance as at 31 October 2022 is insignificant.

Lease obligations

As at 31 October 2022, the Enlarged Group had outstanding lease payments in respect of office premise of approximately HK$4.1 million, which were unguaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Enlarged Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, which were either guaranteed, unguaranteed, secured or unsecured, any mortgages and charges, or any contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors, after due and careful enquiry and taking into account the effect of the Acquisition, the internal resources and generated funds of the Enlarged Group, the presently available banking facilities are of the opinion that the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this Circular.

The Directors are not aware of any other factors that would have a material impact on the Enlarged Group’s liquidity.

4. MATERIAL ADVERSE CHANGE

Except as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2022, the date to which the latest published audited consolidated financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is an established main contractor for the provision of RMAA and fitting out works, site formation and geotechnical works, and new capital works in Hong Kong. The Group is responsible for the overall management, implementation and supervision of projects. The Group focuses on the management of projects, development of work programmes, procurement of works materials, operation of site works, coordination with the customers or their consultants and quality control of the works carried by the employees and the subcontractors. In addition, the Group also engages in property investment in Hong Kong. The Group's building renovation and construction business has been and will continue to be the core business of the Group.

During the year ended 31 March 2022, the Group has undertaken 48 projects and was awarded 27 new projects. As set out in the annual report of the Company for the year ended 31 March 2022, revenue generated from building renovation and construction segment, which contributed over 90% of the Group's total revenue, decreased from approximately HK$281.7 million for the year ended 31 March 2021 to approximately HK$257.0 million for the year ended 31 March 2022, representing a decrease of approximately 8.7%. Such decrease was mainly driven by the outbreak of the fifth wave of the Pandemic in Hong Kong since January 2022, whereby some of the Group's employees and subcontractors were infected and causing temporary manpower shortage and delay of the Group's projects in progress, resulting in the significant drop in revenue during the last quarter of the year ended 31 March 2022.

Looking forward, the Directors consider that the future opportunities and challenges facing by the Group will continue to be affected by the progress of recovery of Hong Kong from the COVID-19 pandemic, the development of the property market in Hong Kong as well as factors affecting the labour costs and material costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and fitting-out sector. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen the market position in the industry and expand the market share.

The Directors consider that the Acquisition enables a substantial involvement of the Group in the Project which opens up an opportunity for the Group to undertake more sizable construction projects and broaden its customer base. Going forward, the Group will continue to explore business and investment opportunities to further strengthen the Group's income stream and to enhance the Group in obtaining more sizeable projects.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF OPERATIONS OF THE GROUP

Reproduced below is the management discussion and analysis of the Group's operations for the financial years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 respectively. The information reproduced below is extracted from the relevant sections in the annual reports and interim report. Capitalised terms used in this section shall have the same meaning as those defined in the respective annual report or interim report. These extracted materials below were prepared prior to the date of this Circular and speak as of the date they were originally published, representing the opinion and beliefs made by the then Directors at such time when the related annual report or interim report was issued.

For the year ended 31 March 2020

Business review

For the year ended 31 March 2020, there were 44 projects with revenue contribution undertaken by the Group. During the year ended 31 March 2020, the Group was awarded 22 new projects, with total original contract sum of approximately HK$294.7 million.

The social unrest in Hong Kong has caused negative impact to the Group's management of the construction sites, leading to an increase in overall operating costs during the year ended 31 March 2020. Meanwhile, the epidemic caused the economic uncertainty in Hong Kong, leading to a decrease in new projects awarded to the Group in 2020.

The Group has only one operating segment which is the provision of the building renovation and construction services in Hong Kong (include renovation and maintenance works, alteration and addition works, and fitting out works). The revenue increased from approximately HK$277.6 million for the year ended 31 March 2019 to approximately HK$404.0 million for the year ended 31 March 2020, representing an increase of approximately 45.5%. Such increase was mainly due to the completion of three projects for an international luxury brand with the aggregate original contract sum of approximately HK$88.3 million during the year ended 31 March 2020.

Gross profit of the Group increased by approximately HK$6.3 million from approximately HK$39.5 million for the year ended 31 March 2019 to approximately HK$45.8 million for the year ended 31 March 2020. The overall gross profit margin decreased from approximately 14.2% for the year ended 31 March 2019 to approximately 11.3% for the year ended 31 March 2020 as the projects undertaken by the Group during the year ended 31 March 2020 are generally in lower gross profit margin. The social unrest in Hong Kong has also caused negative impact to the management of the construction sites. These resulted in the extent of increase in subcontracting charges and construction material costs higher than that of the increase in revenue for the year ended 31 March 2020.

Profit and total comprehensive income for the year attributable to the owners of the Company increased by approximately HK$1.3 million or 7.1% from approximately HK$18.2 million for the year ended 31 March 2019 to approximately HK$19.5 million for the year ended 31 March 2020. Such increase was primarily attributable to the net effect of (i) the increase in gross profit; (ii) the professional fees incurred for Transfer of Listing by the Group for the year; and (iii) the increase in administrative expenses.

Financial review

Liquidity, financial resources and capital structure

As at 31 March 2020, the Group recorded net current assets of HK$100.3 million and bank borrowings of HK$53.2 million. The range of effective interest rates on bank borrowings as at 31 March 2020 (which are also equal to contracted interest rates) is 4.0% to 5.5% per annum. As at 31 March 2020 and 2019, the banking facilities are secured by a legal charge over the property held by Fulam Construction Engineering Company Limited, a subsidiary of the Company and pledged bank deposits.

The current ratio maintained at approximately 1.7 time as at 31 March 2020. As at 31 March 2020, the Group had bank borrowings of approximately HK$53.2 million. The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year and multiplied by 100%, maintained stable at approximately 49.2% as at 31 March 2020. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 13 March 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares. As at 31 March 2020, the Company's issued share capital was HK$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

Foreign Currency Management

The Group's revenue generating operations are mainly transacted in Hong Kong dollars. The Directors consider the impact of foreign exchange exposure to the Group is minimal. The Group does not have a foreign currency hedging policy.

Contingent Liability

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds and secured by deposits. The surety bonds will be released when the construction contracts are practically completed. Except for the outstanding surety bonds issued by insurance companies to guarantee the performance of contract works, the Group did not have other material contingent liabilities.

Pledge of Assets

As at 31 March 2020, the assets pledged by the Group to banks in order to secure bank loans, lease liability and general banking facilities granted by these banks to the Group, and to the insurance companies in order to secure the surety bonds granted by the insurance companies to the Group include (i) leasehold land and building; (ii) motor vehicle; (iii) right-of-use asset; (iv) pledged bank deposits; (v) trade receivables; (vi) contract assets; and (vii) deposits for surety bonds.

Capital commitment

The Group has no capital commitment as at 31 March 2020.

Human Resources and Remuneration Policy

As at 31 March 2020, the Group employed a total of 52 employees. The staff costs, including Directors' emoluments, of the Group were approximately HK$23.1 million for the year ended 31 March 2020. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

Material investments, acquisitions and disposals

During the year ended 31 March 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies and significant investment.

Future plans for material investments and capital assets

As at 31 March 2020, the Group did not have other plans for material investments and capital assets.

Prospects

In the first half of the financial year ended 31 March 2020, although Hong Kong was experienced the social unrest, we have not been much financially impacted by the situation. However, stepping into 2020, the outbreak of the novel coronavirus disease (COVID-19) and the implementation of the quarantine policy in response to the epidemic are affecting the operation of the entire supply chain and its impact on supply of construction materials is unavoidable. The epidemic may exert pressure on the Group's business. With the leadership of our professional team and employees working together, we remain cautiously optimistic about the overall business prospects.

To optimise our competitive advantages, we will continue to provide integrated service of both (i) renovation and maintenance works as well as (ii) alteration and addition work and fitting-out works to our customers. We believe that our proven track record and the experience from various types of projects will provide a wide range of quality and professional services to our customers, potential customers and enable us to react to the changing needs of our customers more efficiently and effectively.

For the year ended 31 March 2021

Business review

For the year ended 31 March 2021, there were 60 projects (2020: 44 projects) with revenue contribution undertaken by the Group. During the year ended 31 March 2021, the Group was awarded 30 (2020: 22) new projects, with total original contract sum of approximately HK$340.6 million (2020: approximately HK$294.7 million).

Although the epidemic caused the economic uncertainty in Hong Kong, more new projects were awarded to the Group during the year ended 31 March 2021 and it is optimistic about the overall coming business prospects.

The Group has only one operating segment which is the provision of the building renovation and construction services in Hong Kong (include renovation and maintenance works, alteration and addition works, and fitting out works). The revenue decreased from approximately HK$404.0 million for the year ended 31 March 2020 to approximately HK$281.7 million for the year ended 31 March 2021, representing a decrease of approximately 30.3%. Such decrease was mainly due to the completion of three projects for an international luxury brand with the aggregate original contract sum of approximately HK$88.3 million, which contributed approximately HK$87.1 million revenue, during the year ended 31 March 2020.

Gross profit of the Group decreased by approximately HK$6.4 million from approximately HK$45.8 million for the year ended 31 March 2020 to approximately HK$39.4 million for the year ended 31 March 2021. The overall gross profit margin increased from approximately 11.3% for the year ended 31 March 2020 to approximately 14.0% for the year ended 31 March 2021 as the projects undertaken by the Group during the year ended 31 March 2021 are generally in higher gross profit margin. These resulted in the extent of decrease in subcontracting charges and construction material costs more than that of the decrease in revenue for the year ended 31 March 2021.

Profit and total comprehensive income for the year attributable to the owners of the Company increased by approximately HK$1.9 million or 9.7% from approximately HK$19.5 million for the year ended 31 March 2020 to approximately HK$21.4 million for the year ended 31 March 2021. Such increase was primarily attributable to the net effect of (i) the decrease in revenue and gross profit; (ii) the increase in professional fees incurred for Transfer of Listing by the Group for the year; (iii) the increase in other incomes relating to the subsidy income; and (iv) the decrease in administrative expenses.

Financial review

Liquidity, financial resources and capital structure

As at 31 March 2021, the Group recorded net current assets of HK$120.4 million and bank borrowings of HK$40.7 million. The range of effective interest rates on bank borrowings as at 31 March 2021 (which are also equal to contracted interest rates) is 2.1% to 5.5% (2020: 4.0% to 5.5%) per annum. As at 31 March 2021 and 2020, except for a banking facility covering a bank loan of HK$5,000,000 (2020: N/A) which is secured by personal guarantees provided by the executive directors of the Company, the remaining banking facilities are secured by a legal charge over the property held by Fulam Construction Engineering Company Limited, a subsidiary of the Company and pledged bank deposits.

The current ratio improved from approximately 1.7 time as at 31 March 2020 to approximately 1.9 time as at 31 March 2021. As at 31 March 2021, the Group had bank borrowings of approximately HK$40.7 million (2020: HK$53.2 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year and multiplied by 100%, decreased from approximately 49.2% as at 31 March 2020 to approximately 31.9% as at 31 March 2021. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 13 March 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares. As at 31 March 2021, the Company's issued share capital was HK$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

Foreign Currency Management

The Group's revenue generating operations are mainly transacted in Hong Kong dollars. The Directors consider the impact of foreign exchange exposure to the Group is minimal. The Group does not have a foreign currency hedging policy.

Contingent Liability

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds and secured by deposits. The surety bonds will be released when the construction contracts are practically completed. Except for the outstanding surety bonds issued by insurance companies to guarantee the performance of contract works, the Group did not have other material contingent liabilities.

Pledge of Assets

As at 31 March 2021, the assets pledged by the Group to banks in order to secure bank loans, lease liability and general banking facilities granted by these banks to the Group, and to the insurance companies in order to secure the surety bonds granted by the insurance companies to the Group include (i) leasehold land and building; (ii) right-of-use asset; (iii) pledged bank deposits; (iv) trade receivables; (v) contract assets; and (vi) deposits for surety bonds.

Capital commitment

The Group has no capital commitment as at 31 March 2021.

Human Resources and Remuneration Policy

As at 31 March 2021, the Group employed a total of 54 employees (2020: 52 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$18.7 million for the year ended 31 March 2021 (2020: approximately HK$23.1 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

Material investments, acquisitions and disposals

During the year ended 31 March 2021, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies and significant investment.

Future plans for material investments and capital assets

As at 31 March 2021, the Group did not have other plans for material investments and capital assets.

Prospects

During the year ended 31 March 2021, Hong Kong was experienced the outbreak of the novel coronavirus disease (COVID-19), the implementation of the quarantine policy in response to the epidemic affected the operation of the entire supply chain and its impact on supply of construction materials was unavoidable. The epidemic may exert pressure on the Group's business. With the leadership of our professional team and employees working together, we remain cautiously optimistic about the overall business prospects.

To optimise our competitive advantages, we will continue to provide integrated service of (i) renovation and maintenance works, (ii) alteration and addition work and fitting-out works as well as (iii) site formation to our customers. We believe that our proven track record and the experience from various types of projects will provide a wide range of quality and professional services to our customers, potential customers and enable us to react to the changing needs of our customers more efficiently and effectively.

For the year ended 31 March 2022

Business review

During the year ended 31 March 2022, there were 48 projects (2021: 60 projects) with revenue contribution undertaken by the Group. During the year ended 31 March 2022, the Group was awarded 27 (2021: 30) new projects, with total original contract sum of approximately HK$395.6 million (2021: approximately HK$340.6 million). During the year ended 31 March 2022, the Group operated in a new segment, namely Property. Under this segment, the Group engages in property investment in Hong Kong and earns rental income. The Group's building renovation and construction business has been and will continue to be the core business of the Group.

Since the first confirmed case of COVID-19 in Hong Kong was reported in January 2020, the Directors have been closely monitoring the development of the Pandemic and keeping communication with the Group's customers, suppliers and subcontractors proactively and regularly to ascertain whether the Pandemic would lead to (i) any significant impact on the status or progress of ongoing projects; and (ii) any supply shortages on construction materials and labour resources. The outbreak of the fifth wave of the Pandemic in Hong Kong since January 2022 has had an adverse impact on the Group's operation. While none of the Group's projects were subject to suspension due to the Pandemic during the year ended 31 March 2022, some of the employees of the Group and of the Group's subcontractors were infected since the outbreak of the fifth wave of the Pandemic, causing temporary manpower shortage and delay of the Group's projects in progress. The Directors will continue to closely monitor the latest development of the Pandemic and assess and respond to its impact on the Group's results of operations, cash flows and financial condition.

The Group has two operating segments which are (i) the provision of the building renovation and construction services in Hong Kong (include renovation and maintenance works, alteration and addition works, and fitting out works); and (ii) property investment.

Building renovation and construction

The revenue decreased from approximately HK$281.7 million for the year ended 31 March 2021 to approximately HK$257.2 million for the year ended 31 March 2022, representing a decrease of approximately 8.7%. Such decrease was mainly driven by the outbreak of the fifth wave of the Pandemic in Hong Kong since January 2022, whereby some of our employees and subcontractors were infected and causing temporary manpower shortage and delay of the Group's projects in progress, resulting in the significant drop in revenue during the last quarter of this financial year.

Property investment

For the year ended 31 March 2022, the Group recognised revenue from property leasing of approximately HK$0.2 million (2021: nil).

Gross profit of the Group decreased by approximately HK$5.1 million from approximately HK$39.4 million for the year ended 31 March 2021 to approximately HK$34.3 million for the year ended 31 March 2022. The overall gross profit margin decreased slightly from approximately 14.0% for the year ended 31 March 2021 to approximately 13.3% for the year ended 31 March 2022.

Profit for the year attributable to the owners of the Company decreased by approximately HK$13.4 million or 62.6% from approximately HK$21.4 million for the year ended 31 March 2021 to approximately HK$8.0 million for the year ended 31 March 2022. Such decrease was primarily attributable to (i) the decrease in revenue and gross profit; (ii) the decrease in other incomes relating to the subsidy income; (iii) the increase in administrative expenses; and (iv) the increase in impairment losses under expected credit loss model, net of reversal, partially offset by the decrease in professional fees incurred for the Transfer of Listing. Excluding those non-recurring items of (a) the professional fees incurred for Transfer of Listing; (b) subsidy income; and (c) impairment losses under expected credit loss model, net of reversal, the adjusted profit for the year decreased from approximately HK$19.4 million for the year ended 31 March 2021 to approximately HK$14.5 million for the year ended 31 March 2022, representing a decrease of approximately 25.3%.

Financial review

Liquidity, financial resources and capital structure

As at 31 March 2022, the Group recorded net current assets of HK$119.8 million and bank borrowings of HK$88.8 million. The range of effective interest rates on bank borrowings as at 31 March 2022 (which are also equal to contracted interest rates) is 2.2% to 5.5% (2021: 2.1% to 5.5%) per annum. As at 31 March 2022 and 2021, except for a banking facility covering a bank loan of HK$6,000,000 (2021: HK$5,000,000) which is secured by personal guarantees provided by the executive directors of the Company, the remaining banking facilities are secured by a legal charge over the property held by Fulam Construction Engineering Company Limited, a subsidiary of the Company and pledged bank deposits.

The current ratio remained relatively stable at approximately 1.9 and 1.8 as at 31 March 2021 and 2022, respectively. As at 31 March 2022, the Group had bank balances and cash of approximately HK$51.3 million (2021: HK$33.3 million). As at 31 March 2022, the Group had bank borrowings of approximately HK$88.8 million (2021: HK$40.7 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year and multiplied by 100%, increased from approximately 31.9% as at 31 March 2021 to approximately 65.4% as at 31 March 2022, mainly due to increase in net bank borrowing raised. The Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 13 March 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares. As at 31 March 2022, the Company's issued share capital was HK$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

Foreign Currency Management

The Group's revenue generating operations are mainly transacted in Hong Kong dollars. The Directors consider the impact of foreign exchange exposure to the Group is minimal. Currently, the Group does not have a foreign currency hedging policy. However, the Group manages the risk by closely monitoring the movements of the foreign currency rate and would consider hedging against significant foreign currency exposure as and when necessary.

Contingent Liability

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds and secured by deposits. The surety bonds will be released when the construction contracts are practically completed. Except for the outstanding surety bonds issued by insurance companies to guarantee the performance of contract works, the Group did not have other material contingent liabilities.

Pledge of Assets

As at 31 March 2022, the assets pledged by the Group to banks in order to secure bank loans, lease liability and general banking facilities granted by these banks to the Group, and to the insurance companies in order to secure the surety bonds granted by the insurance companies to the Group include (i) leasehold land and building; (ii) right-of-use asset; (iii) investment property; (iv) pledged bank deposits; (v) trade receivables; and (vi) deposits for surety bonds.

Capital commitment

The Group has no capital commitment as at 31 March 2022.

Human Resources and Remuneration Policy

As at 31 March 2022, the Group employed a total of 49 employees (2021: 54 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK$21.3 million for the year ended 31 March 2022 (2021: approximately HK$18.7 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

Material investments, acquisitions and disposals

With effect from 19 November 2021, the Group moved to new office and reclassified the former head office as investment property. As at 31 March 2022, the fair value of our investment property amounted to approximately HK$8.1 million (2021: nil). Except for this reclassification of investment property, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies and significant investment.

Future plans for material investments and capital assets

As at 31 March 2022, the Group did not have other plans for material investments and capital assets.

Prospects

During the year ended 31 March 2022, the outbreak of the COVID-19 pandemic (the "**Pandemic**") adversely affected the Group. In particular, since the emergence of the outbreak of the fifth wave of the Pandemic in Hong Kong since January 2022, there were a high number of confirmed cases. In response to the fifth wave of the Pandemic, the Hong Kong government implemented even more stringent anti-epidemic measures which had greatly affected many business activities, including the construction industry. We have stepped-up measures to safeguard the wellbeing of our employees and onsite workers since the outbreak, while looking to keep operational progress on track as far as possible. Unfortunately and inevitably some of our projects in progress were still delayed.

We have experienced an unprecedentedly challenging year. Although there are still many uncertainties on the road to recovery, the Group is in the hope that the Pandemic will come to the end or at least will be stabilised in the near future and the economy will begin to gradually recover from which the Group will benefit. With the leadership of our professional team and employees working together, we remain cautiously optimistic about the overall business prospects.

To optimise our competitive advantages, we will continue to provide integrated service of (i) renovation and maintenance works; (ii) alteration and addition work and fitting-out works; and (iii) site formation and geotechnical works to our customers. We have also engaged in property investment in Hong Kong during the year under a new segment, namely Property. We believe that our proven track record and the experience from various types of projects will provide a wide range of quality and professional services to our customers, potential customers and enable us to react to the changing needs of our customers more efficiently and effectively.

For the six months ended 30 September 2022

Business review

For the six months ended 30 September 2022, there were 40 projects (six months ended 30 September 2021: 30 projects) with revenue contribution undertaken by the Group. During the six months ended 30 September 2022, the Group was awarded 17 (six months ended 30 September 2021: 9) new projects, with total original contract sum of approximately HK$182.4 million (six months ended 30 September 2021: HK$78.9 million).

During the six months ended 30 September 2022, none of the projects had been subject to significant delay or suspension of work due to the pandemic. Notwithstanding that the pandemic has slowed down the overall economy in Hong Kong, the Group's operations and financial performance had not been materially affected by the pandemic.

The Group has two operating segments which are (i) the provision of the building renovation and construction services in Hong Kong (include renovation and maintenance works, alteration and addition works, and fitting out works); and (ii) property investment.

Building renovation and construction

The revenue increased from approximately HK$128.7 million for the six months ended 30 September 2021 to approximately HK$168.7 million for the six months ended 30 September 2022, representing an increase of approximately 23.7%. Such increase was mainly due to the commencement of more projects with larger contract sum during the six months ended 30 September 2022.

Property investment

For the six months ended 30 September 2022, the Group recognised revenue from property leasing of approximately HK$0.2 million (2021: nil).

Gross profit of the Group increased by approximately HK$3.5 million or 18.9% from approximately HK$18.5 million for the six months ended 30 September 2021 to approximately HK$22.0 million for the six months ended 30 September 2022. The overall gross profit margin decreased slightly from approximately 14.4% for the six months ended 30 September 2021 to approximately 13.0% for the six months ended 30 September 2022 as the extent of increase in subcontracting charges and construction material costs was greater than that of the increase in revenue for the six months ended 30 September 2022.

Profit for the year attributable to the owners of the Company slightly increased by approximately HK$0.1 million or 1.2% from approximately HK$8.3 million for the six months ended 30 September 2021 to approximately HK$8.4 million for the six months ended 30 September 2022. Such increase was primarily attributable to the net effect of (i) the increase in revenue and gross profit for the six months ended 30 September 2022; (ii) the decrease in profession fees incurred for the Transfer of Listing; offset by (iii) the increase in the administrative expenses; and (iv) the increase in the finance costs for the six months ended 30 September 2022.

Financial review

Liquidity, financial resources and capital structure

As at 30 September 2022, the Group recorded net current assets of HK$116.1 million and bank borrowings of HK$72.7 million. The range of effective interest rates on bank borrowings as at 30 September 2022 (which are also equal to contracted interest rates) is 2.875% to 5.125% (2021: 2.2% to 5.5%) per annum. As at 30 September 2022, except for a banking facility covering a bank loan of HK$6,000,000 (2021: HK$6,000,000) which is secured by personal guarantees provided by the executive Directors of the Company, the remaining banking facilities are secured by a legal charge over the property held by Fulam Construction Engineering Company Limited, a subsidiary of the Company, certain trade receivables and contract assets, and deposit paid for a life insurance policy.

The current ratio remained relatively stable at approximately 1.8 times and 1.7 times as at 31 March 2022 and 30 September 2022, respectively. As at 30 September 2022, the Group had bank balances and cash of approximately HK$23.5 million (2021: HK$88.8 million). As at 30 September 2022, the Group had bank borrowings of approximately HK$72.7 million (2021: HK$40.7 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year and multiplied by 100%, decreased from approximately 65.4% as at 31 March 2022 to approximately 50.4% as at 30 September 2022, mainly due to decrease in bank borrowings. The Group's financial position remains sound and solid. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 13 March 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares. As at 30 September 2022, the Company's issued share capital was HK$8,000,000 and the number of its issued ordinary shares was 800,000,000 of HK$0.01 each.

Foreign Currency Management

The Group's revenue generating operations are mainly transacted in Hong Kong dollars. The Directors consider the impact of foreign exchange exposure to the Group is minimal. The Group does not have a foreign currency hedging policy.

Contingent Liability

Certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds and secured by deposits. The surety bonds will be released when the construction contracts are practically completed. Except for the outstanding surety bonds issued by insurance companies to guarantee the performance of contract works, the Group did not have other material contingent liabilities.

Pledge of Assets

As at 30 September 2022, the assets pledged by the Group to banks in order to secure bank loans, lease liability and general banking facilities granted by these banks to the Group, and to the insurance companies in order to secure the surety bonds granted by the insurance companies to the Group include (i) right-of-use asset; (ii) investment property; (iii) trade receivables; and (iv) deposits for surety bonds.

Capital commitment

The Group has no capital commitment as at 30 September 2022.

Human Resources and Remuneration Policy

As at 30 September 2022, the Group employed a total of 52 employees. The staff costs, including Directors' emoluments, of the Group were approximately HK$11.4 million for the six months ended 30 September 2022 (six months ended 30 September 2021: approximately HK$9.5 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

Material investments, acquisitions and disposals

As disclosed in the announcement of the Company dated 8 August 2022, the Group has completed the Previous Acquisition, being an acquisition of 25% of the issued share capital of the Target Company.

Save as disclosed above, during the six months ended 30 September 2022, the Group did not have other material acquisitions or disposals of subsidiaries and affiliated companies and significant investment.

Future plans for material investments and capital assets

As at 30 September 2022, the Group did not have other plans for material investments and capital assets.

Prospects

We consider that the future opportunities and challenges facing the Group will continue to be affected by the progress of recovery of Hong Kong from the pandemic, which in turn affects the development of the construction industry in Hong Kong as well as labour costs and material costs. We are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong RMAA and fitting-out sector.

With the Group's experienced management team and reputation in the market, we consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen the market position in the industry and expand the market share.

The following is the text of a report set out on pages II-1 to II-31, received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

24/F., Siu On Centre,
188 Lockhart Road,
Wan Chai, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ACASA PROPERTY LIMITED AND ITS SUBSIDIARY TO THE DIRECTORS OF CHI HO DEVELOPMENT HOLDINGS LIMITED

Introduction

We report on the historical financial information of Acasa Property Limited (the "**Company**") and its subsidiary (the "**Target Group**") set out on pages II-5 to II-31, which comprises the consolidated statements of financial position of the Target Group at 31 December 2020 and 2021 and 30 September 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 the period from 31 July 2019 to 31 December 2020, the year ended 31 December 2021 and the nine months ended 30 September 2022 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-5 to II-31 forms an integral part of this report, which has been prepared for inclusion in the circular of Chi Ho Development Holdings Limited dated 23 December 2022 (the "**Circular**") in connection with the proposed acquisition of 25% of the issued share capital of the Company by Chi Ho Development Holdings Limited.

Directors' responsibility for the Historical Financial Information

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

The directors of Chi Ho Development Holdings Limited is 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 Chi Ho Development Holdings Limited.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the 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 consolidated financial position of the Target Group at 31 December 2020 and 2021 and 30 September 2022 and of the consolidated financial performance and consolidated cash flows of the Target Group 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 nine months ended 30 September 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of the Company is 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 2400 (Revised) "Engagements to Review Historical

Financial Statements'' 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 GEM 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 II-4 have been made.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong, 23 December 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 the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the sole director in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as set out in Note 2 to the Historical Financial Information and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in n Hong Kong dollar (“**HK$**”) and all values are rounded to the nearest thousand (HK$’000) except when otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	From 31 July 2019 (date of incorporation) to 31 December 2020	Year ended 31 December 2021	Nine months ended 30 September 2021	Nine months ended 30 September 2022
		HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	*5*	—	—	—	—
Other operating expense		(34)	(55)	(30)	(107)
Impairment loss on property under development		—	—	—	(8,176)
Loss before tax		(34)	(55)	(30)	(8,283)
Income tax expense	*6*	—	—	—	—
Loss for the period/year	*7*	(34)	(55)	(30)	(8,283)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2020 HK$'000	31 December 2021 HK$'000	30 September 2022 HK$'000
Current assets				
Property under development	11	171,400	178,861	173,000
Deposit and other receivable	12	38,625	38,642	17
Bank balances	13	50	220	131
		210,075	217,723	173,148
Current liabilities				
Accruals		3,363	3,388	44
Amount due to a director	14	62,720	64,355	—
Amounts due to related companies	14	92,852	98,895	156,469
Borrowing	15	—	26,167	—
Tax payable		—	—	—
		158,935	192,805	156,513
Total assets less current liabilities		51,140	24,918	16,635
Non-current liabilities				
Borrowing	15	26,167	—	—
Net assets		24,973	24,918	16,635
Capital and reserve				
Share capital	16	25,007	25,007	25,007
Accumulated losses		(34)	(89)	(8,372)
Total equity		24,973	24,918	16,635

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 July 2019 (date of incorporation)	—	—	—
Issuance of shares	25,007	—	25,007
Loss and total comprehensive expense for the period	—	(34)	(34)
At 31 December 2020	25,007	(34)	24,973
Loss and total comprehensive expense for the year	—	(55)	(55)
At 31 December 2021	25,007	(89)	24,918
Loss and total comprehensive expense for the period	—	(8,283)	(8,283)
At 30 September 2022	25,007	(8,372)	16,635
At 1 January 2021 (audited)	25,007	(34)	24,973
Loss and total comprehensive expense for the period (unaudited)	—	(30)	(30)
At 30 September 2021 (unaudited)	25,007	(64)	24,943

CONSOLIDATED STATEMENT OF CASH FLOWS

	From 31 July 2019 (date of incorporation) to 31 December 2020	Year ended 31 December 2021	Nine months ended 30 September 2021	Nine months ended 30 September 2022
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES				
Loss before tax	(34)	(55)	(30)	(8,283)
Adjustment for:				
Impairment loss on property under development	—	—	—	8,176
Operating cash flows before movements in working capital	(34)	(55)	(30)	(107)
(Increase) decrease in deposit and other receivable	(38,625)	(17)	(17)	38,625
Increase in property under development	(171,400)	(7,461)	(5,615)	(2,315)
Increase (decrease) in accruals	3,363	25	—	(3,344)
Net cash (used in) from operating activities	(206,696)	(7,508)	(5,662)	32,859
FINANCING ACTIVITIES				
Advance from related companies	92,852	6,043	5,008	2,214
Advance from (repayment to) a director	62,720	1,635	635	(8,995)
New loans raised	26,167	—	—	—
Proceeds from issuance of shares	25,007	—	—	—
Repayment of borrowing	—	—	—	(26,167)
Net cash from (used in) financing activities	206,746	7,678	5,643	(32,948)

	From 31 July 2019 (date of incorporation) to 31 December 2020	Year ended 31 December 2021	Nine months ended 30 September 2021	Nine months ended 30 September 2022
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50	170	(19)	(89)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/ YEAR	—	50	50	220
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	50	220	31	131
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Bank balances	50	220	31	131

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Acasa Property Limited ("**The Company**") is incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance on 31 July 2019. The Company's register office and principal address of business operation are located at Units 13–24, 2/F Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activity of its subsidiary is set out in note 24 to the consolidated financial statements. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

The ultimate controlling party is Mr. Tam Wai Tong, the sole director of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

New and amendments to HKFRSs in issue but not yet effective

The Target Group has not early applied the new and amendments to HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2022. These new and revised HKFRSs included the following which may be relevant to the Target Group:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
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.

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

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

Sole director of the Company has, at the time of approving the consolidated financial statements, a reasonable expectation that the Target Group has adequate resources to continue in operational existence for the foreseeable future. Thus the Company continues to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have 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 these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

The principal accounting policies are set out below.

Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the 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.

Consolidation 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 statement 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 subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intra-group assets and 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

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

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

- The customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- The Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or
- The Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 "Financial Instruments" ("**HKFRS 9**"), as appropriate. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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 customers.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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 property under development for which revenue is recognised over time, the Target Group ceases to capitalise borrowing costs as soon as the property is ready for the Target Group's intended sale.

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

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. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income 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 consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 investments 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 realised, based on tax rates (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.

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

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.

In assessing any uncertainty over income tax treatments, the Target Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property under development

Property under development which is intended to be sold upon completion of development and property for sale is classified as current asset. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, property under development/property for sale is 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 property less estimated cost to completion and costs necessary to make the sales.

Property under development for sale is transferred to property for sale upon completion.

Financial instruments

Financial assets and financial liabilities are recognised when the Target Group 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 marketplace.

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Target Group performs impairment assessments under ECL model on financial assets (including deposit other receivable, and bank balances) and financial guarantee contract which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the 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 always recognises lifetime ECL for trade receivables without significant financing components. The ECL on these assets are either assessed individually for debtors with significant balances or on a collective basis with appropriate groupings.

For all other instruments, the Target Group measures the credit loss allowance equal to 12-month 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 instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the 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 costs 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; or

- 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.

For financial guarantee contract, the date that the Target Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Target Group considers changes in the risk that the specified debtor will default on the contract.

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 Group considers that default has occurred when a financial asset is more than 90 days past due unless the 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 of default 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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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
- 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, whichever occurs sooner. 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 estimated as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

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

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

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

For a financial guarantee contract, the Target Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Target Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contract for which the effective interest rate cannot be determined, the Target Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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.

Except for financial guarantee contract, the Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a credit loss allowance account.

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. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 instruments

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 the Target Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including amount(s) due to a director/related companies and borrowing, are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities 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.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Target Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 3, the sole director of the Company is required to make judgments, 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 on-going basis. Revision 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 are 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 of property under development

In determining whether allowances should be made to the Target Group's property under development, the sole director of the Company makes reference to the valuation performed by an independent professional property valuer. The valuation is dependent on certain key inputs that involve judgment and estimation made by the sole director of the Target Group together with the valuer including, among other factors, transaction price of comparable properties in the similar or same locations and adjustments made according to nature of the property. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value of property under development is less than expected as a result of a change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. At 30 September 2022, the carrying amount of property under development was HK$173,000,000. The impairment loss of nil, nil and HK$8,176,000 has been provided for the period ended 31 December 2020 and the year ended 31 December 2021 and the nine months ended 30 September 2022 respectively.

5. REVENUE AND SEGMENT INFORMATION

There was no revenue generated during the Relevant Periods.

As at 31 December 2020, 31 December 2021 and 30 September 2022, all non-current assets of the Target Group are located in Hong Kong and no analysis of the Group's assets by geographical area is disclosed.

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Target Group has no assessable profit during the Relevant Periods.

7. LOSS FOR THE PERIOD/YEAR

The Target Group's loss for the period/year is stated after charging/(crediting) the following:

	31 July 2019 (date of incorporation) to 31 December 2020	**Year ended 31 December 2021**	**Nine months ended 30 September 2021**	**Nine months ended 30 September 2022**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Director's remuneration	—	—	—	—
Other staff costs				
Salaries and other allowances	—	—	—	—
Retirement benefit scheme contributions	—	—	—	—
Total staff costs	—	—	—	—
Impairment loss on property under development	—	—	—	8,176
Auditor's remuneration	25	25	—	19
Borrowing costs capitalised as property under development *(Note)*	11,117	3,957	3,957	1,952

Note: Borrowing costs capitalised during the period from 31 July 2019 to 31 December 2020, the year ended 31 December 2021 and the period ended 30 September 2022 arose on the specific borrowing pool and are calculated by applying a capitalisation rate of 100%, 100%, 100%, respectively, per annum to expenditure on qualifying assets.

8. DIRECTOR'S REMUNERATION

No director's remuneration was paid to the sole director during the Relevant Periods.

No significant transactions, arrangements and contracts in relation to the Target Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the Relevant Periods.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARES

No information related to earnings per share is presented in the Historical Financial Information as such information is not meaningful for the purpose of the accountants' report.

11. PROPERTY UNDER DEVELOPMENT

	31 December 2020	**31 December 2021**	**30 September 2022**
	HK$'000	*HK$'000*	*HK$'000*
Property under development	171,400	178,861	173,000

As at 31 December 2020, 31 December 2021 and 30 September 2022, the carrying amount of the prepaid land lease of HK$150,000,000, HK$150,000,000 and HK$150,000,000 respectively was included in the property under development.

Property under development is classified as current asset as the construction period of the relevant property development project is expected to be completed in the normal operating cycle.

Property under development substantially represent the cost of the land situated at No.18 Kimberley Street in the Hong Kong.

As at 31 December 2020 and 2021 and 30 September 2022, property under development was not scheduled for completion within twelve months from the end of the reporting periods.

12. DEPOSIT AND OTHER RECEIVABLE

	31 December 2020	**31 December 2021**	**30 September 2022**
	HK$'000	*HK$'000*	*HK$'000*
Deposit	—	17	17
Other receivable	38,625	38,625	—
	38,625	38,642	17

13. BANK BALANCES

Bank balances as at 31 December 2020 and 2021 and 30 September 2022 carry interest at a prevailing market interest rate of 0.01%, 0.01%, 0.01%, respectively, per annum.

14. AMOUNT(S) DUE TO A DIRECTOR/RELATED PARTIES

As 31 December 2020 and 2021 and 30 September 2022, the amount due to a director has no fixed repayment terms, repayable on demand, and non-interest bearing. The amounts due to related companies as at 31 December 2020, 31 December 2021 and 30 September 2022 are unsecured, repayable on demand and carry interest range from 2.8%–10% per annum, 2.8%–10% per annum, 1 month HIBOR plus 2.85% per annum, respectively.

15. BORROWING

	31 December 2020 *HK\$'000*	31 December 2021 *HK\$'000*	30 September 2022 *HK\$'000*
Secured loan			
— Fixed rate borrowing	26,167	26,167	—
	26,167	26,167	—
The carrying amount of the above borrowing is repayable:			
— Within one year	—	26,167	—
— Within a period of more than one year but not exceeding two years	26,167	—	—
Less: Amount due within one year shown under current liabilities	—	26,167	—
Amount shown under non-current liabilities	26,167	—	—

As at 31 December 2020 and 2021, the borrowing carries fixed interest at 12% per annum and 12% per annum respectively.

16. SHARE CAPITAL

	Number of ordinary shares	Amounts *HK\$'000*
Authorised		
As at 17 September 2019 (date of incorporation)	—	—
Issuance of shares	8,000	25,007
As at 31 December 2020, 31 December 2021 and 30 September 2022	8,000	25,007
Issued and fully paid		
As at 17 September 2019 (date of incorporation)	—	—
Issuance of shares	8,000	25,007
As at 31 December 2020, 31 December 2021 and 30 September 2022	8,000	25,007

17. FINANCIAL GUARANTEE CONTRACT

As at 31 December 2020, 31 December 2021 and 30 September 2022, K18 Property Limited, a wholly owned entity of the Company issued financial guarantee to certain bank in respect of banking facilities granted to a related company, Group Sense Limited. The amounts that could be required to be paid as at 31 December 2020, 31 December 2021 and 30 September 2022 is HK$152,810,000, HK$131,186,000 and HK$131,186,000, respectively, if the guarantee was called upon in entirety, of which full amount of the relevant banking facilities has been utilised by the related company. The Target Group considers the fair value of the contract at initial recognition and the loss allowance as at 31 December 2020, 31 December 2021 and 30 September 2022 are insignificant. Details of the credit risk assessment of the financial guarantee contract is set out in note 19.

18. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged since incorporation. The capital structure of the Target Group consists of net debt, which includes amounts due to a director/related parties and borrowing disclosed in note 14 and 15, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital. The sole director of the Company reviews the capital structure regularly. As part of this review, the sole director considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director, the Target Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts and redemption of existing debts.

19. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31 December 2020	31 December 2021	30 September 2022
	HK\$'000	*HK\$'000*	*HK\$'000*
Financial assets			
Amortised cost	38,675	38,862	148
Financial liabilities			
Amortised cost	181,739	189,417	156,469

(b) Financial risk management objectives and policies

The Target Group's financial instruments include deposit and other receivable, bank balances, financial guarantees contract, amount due to a director, amounts due to related companies and borrowing. 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 in a timely and effective manner.

Market risk

Interest rate risk

The Target Group's fair value and cash flow interest rate risks mainly relate to fixed rate borrowing and variable rate amounts due to related companies respectively. The Target Group's borrowing has exposure to fair value interest rate risk due to the fixed interest rate. The Target Group's bank balances and variable-rate amounts due to related companies also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The Target Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

At 31 December 2020 and 2021 and 30 September 2022, the management of the Target Group considers that the exposure to the Target Group arising from interest rate risk is limited since the finance cost are fully capitalised as part of the cost of property under development, no sensitivity analysis is therefore prepared.

Credit risk and impairment assessment

As at 31 December 2020 and 2021 and 30 September 2022, 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 statement of financial position.

The Target Group is exposed to concentration of credit risk in relation to its deposit, other receivable and financial guarantees contract. The major debtor of the Target Group is Hong Kong Government. The management of the Target Group considers that the credit risk is limited in this regard.

Other than disclosed above, the Target Group does not have any other significant concentration of credit risk.

Deposit and other receivable

The Target Group assessed the impairment for its deposit and other receivable based on internal credit rating of these debtors which, in the opinion of the sole director of the Company, have no significant increase in credit risk since initial recognition except for those assessed as doubtful. Estimated loss rate is based on probability of default and loss given default with reference to historical data and is adjusted for forward-looking information that is available without undue costs or effort. No loss allowance was recognised as the ECL is assessed to be insignificant.

Bank balances

Credit risk on bank balances is limited because the counterparty is reputable bank with high credit rating assigned by international credit agencies. The Company assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

Financial guarantee contract

The gross carrying amount represents the maximum amount that the Target Group has guaranteed under the respective contract and was approximately HK$82,123,000, HK$111,141,000 and HK$91,207,000, respectively as at 31 December 2020, 31 December 2021 and 30 September 2022. At the end of the reporting period, the directors of the Company have performed impairment assessment by considering the present value of the difference in cash flows between the contractual payments required under the financial guarantee and the payments that would be required without the guarantee, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contract. Accordingly, the loss allowance for financial guarantee contract issued by the Target Group is measured at an amount equal to 12m ECL. The management of the Target Group considers the probability of default is low and accordingly, loss allowance was considered as insignificant.

The Target Group's internal credit risk grading assessment comprises the following categories applied for both years:

Internal credit rating	**Description**	**Trade receivables**	**Other financial assets**
Low risk	The counterparty has low risk of default and has no outstanding debts past due over 30 days	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	The counterparty has outstanding debts past due over 30 days which are not considered as doubtful and the corresponding contract is not duly completed	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Written-off	There is evidence indicating that the debtor is in severe financial difficulty and the Target Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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

	Notes	**External credit ratings**	**Internal credit ratings**	**12-month or lifetime ECL**	**Gross carrying amount**		
					31 December 2020	**31 December 2021**	**30 September 2022**
					HK$'000	*HK$'000*	*HK$'000*
Deposit and other receivable	12	N/A	Low risk *(note 2)*	12-month ECL	38,625	38,642	17
Bank balances	13	A+ to AA– *(note 1)*	N/A	12-month ECL	50	220	131
Financial guarantee contract	17	N/A	N/A	12-month ECL	82,123	111,141	91,207

Notes:

1. The external credit ratings were quoted from Moody's.

2. For deposit and other receivable, the Target Group measures the loss allowance equal to 12m ECL. The Target Group applies internal credit risk management to assess whether credit risks has increased significantly since initial recognition, in which case the Target Group recognises lifetime ECL. The credit risk on deposit and other receivable is limited having considered the credit quality of the counterparties and the probability of default is negligible. Therefore, no impairment allowance is made on these balances.

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. The management of the Target Group believes that the Target Group will have sufficient working capital for its future operational requirement.

The Target Group relies on borrowing as a significant source of liquidity.

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 based on the earliest date on which the Target Group can be required to pay.

Liquidity and interest risk table

	Weighted average interest rate	On demand or less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2020							
Amount due to a director	—	62,720	—	—	—	62,720	62,720
Amount due to a related company	7.1	99,464	—	—	—	99,464	92,852
Borrowing	12.0	—	—	—	33,428	33,428	26,167
		162,184	—	—	33,428	195,612	181,739
Financial guarantee contract	—	82,123	—	—	—	82,123	—
31 December 2021							
Amount due to a director	—	64,355	—	—	—	64,355	64,355
Amount due to a related company	10.7	109,465	—	—	—	109,465	98,895
Borrowing	12.0	—	—	33,428	—	33,428	26,167
		173,820	—	33,428	—	207,248	189,417
Financial guarantee contract	—	111,141	—	—	—	111,141	—
30 September 2022							
Amounts due to related companies	5.5	165,044	—	—	—	165,044	156,469
		165,044	—	—	—	165,044	156,469
Financial guarantee contract	—	91,207	—	—	—	91,207	—

The amounts included above for financial guarantee contract is the maximum amount the Target Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparties to the guarantee. Based on expectations at the end of the reporting period, the Target Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparties claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparties which are guaranteed suffer credit losses.

(c) Fair values of financial instruments that are not measured at fair value on a recurring basis

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The sole director of the Company considers that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

20. RECONCILIATION OF LIABILITIES 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 statement of cash flows as cash flows from financing activities.

	Amount due to a director	Amounts due to related companies	Borrowing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 July 2019 (date of incorporation)	—	—	—	—
Financing cash flows	62,720	92,852	26,167	181,739
At 31 December 2020	62,720	92,852	26,167	181,739
Financing cash flows	1,635	6,043	—	7,678
At 31 December 2021	64,355	98,895	26,167	189,417
Financing cash flows	(8,995)	2,214	(26,167)	(32,948)
Non-cash movement	(55,360)	55,360	—	—
At 30 September 2022	—	156,469	—	156,469

21. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Target Group to a financial institute in order to secure borrowing to the Target Group are as follows:

	31 December 2020	31 December 2021	30 September 2022
	HK$'000	*HK$'000*	*HK$'000*
Property under development	171,400	178,861	—

As at 31 December 2020, the property under development was pledged by the Target Group to a bank to secure bank facilities granted to a related company, Group Sense Limited as disclosed in Note 17.

22. MAJOR NON-CASH TRANSACTION

During the nine months period end 30 September 2022, the amount of approximately HK$55,360,000 due to a director was assigned to a related company.

23. RELATED PARTY DISCLOSURE

Other than as disclosed elsewhere in these consolidated financial statements, the Target Group has following balances and transactions with related parties:

Name of related parties	Relationship	Nature of balances/ transactions	31 December 2020 *HK$'000*	31 December 2021 *HK$'000*	30 September 2022 *HK$'000*
Mr. Tam Wai Tong	Director	Loan from a director	62,720	64,355	—
Chi Ho Developments Holdings Limited	A related company *(Note 1)*	Amount due to a related company	—	—	3,148
		Borrowing costs capitalised as property under development	—	—	18
Group Sense Limited	A related company *(Note 2)*	Amount due to a related company	92,852	98,895	153,331
		Borrowing costs capitalised as property under development	6,612	3,957	1,934
		The maximum liabilities of financial guarantee contract	82,123	111,141	91,207

Notes:

1. The company is the parent company of a shareholder of the Company and has significant influence to the Company.

2. The company is controlled by the same director of the Company, Mr. Tam Wai Tong.

24. PARTICULARS OF A SUBSIDIARY

Particulars of the subsidiary of the Company as at 31 December 2020 and 2021 and 30 September 2022 were as follows:

Name of subsidiary	Place and date of incorporation and place of operation	Issued and fully paid ordinary share capital	Effective interest attributable to the Target Group as at 31 December 2020 Directly held	31 December 2021 Directly held	30 September 2022 Directly held	Principal activities
			%	%	%	
K18 Property Limited	Hong Kong 31 July 2019	HK$1	100	100	100	Sales of properties

25. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	31 December 2020	31 December 2021	30 September 2022
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Investment in a subsidiary	—	—	—
Current assets			
Amount due from a director	7	7	7
Amount due from a subsidiary	25,000	24,998	24,951
	25,007	25,005	24,958
Current liability			
Accruals	10	20	18
Net asset	24,997	24,985	24,940
Capital and reserve			
Share capital	25,007	25,007	25,007
Accumulated losses	(10)	(22)	(67)
Total equity	24,997	24,985	24,940

The movements in reserves are as follows:

	Share Capital *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 31 July 2019 (date of incorporation)	—	—	—
Issuance of shares	25,007	—	25,007
Loss and total comprehensive expense for the period	—	(10)	(10)
At 31 December 2020	25,007	(10)	24,997
Loss and total comprehensive expense for the year	—	(12)	(12)
At 31 December 2021	25,007	(22)	24,985
Loss and total comprehensive expense for the period	—	(45)	(45)
At 30 September 2022	25,007	(67)	24,940

26. EVENT AFTER REPORTING PERIOD

The reduction of capital of the Company has been passed by a special resolution on 5 September 2022. The capital reduction is effective from 11 October 2022 by returning the paid up capital of approximately HK$24,900,000 to the sole shareholder of the Company. The total amount of share capital after the reduction would be approximately HK$107,000 while the number of ordinary shares issued remained unchanged.

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 September 2022.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

In connection with the proposed acquisition of 25% of issued share capital of the Target Company (the "**Acquisition**"), the unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and is solely for the purpose to illustrate the effect of the Acquisition on the Group's financial position as at 30 September 2022 as if the Acquisition had taken place as at 30 September 2022 and on the Group's financial performance and cash flows for the year ended 31 March 2022 as if the Acquisition had taken place as at 1 April 2021 and based on the scenario that the Group holds 50% of the issued capital of the Target Company after the completion of the Acquisition.

The unaudited pro forma consolidated statement of financial position as at 30 September 2022 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 31 March 2021 (hereinafter collectively referred to as "**Unaudited Pro Forma Financial Information**") of the Enlarged Group are prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2022 as set out in the interim repot of the Company for the six months ended 30 September 2022 issued on 11 November 2022, consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 issued on 24 June 2022.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the acquisition is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the Unaudited Pro Forma Financial Information of the Enlarged Group may not purport to predict what the results and cash flows, or financial position of the Enlarged Group would have been had the acquisition been completed on 30 September 2022 or 1 April 2021 nor in any future periods or on any future dates. The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2022

	The Group	Pro forma adjustments	The Enlarged Group
	(Note 1)	*(Note 2)*	
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	5,928	—	5,928
Right-of-use asset	4,018	—	4,018
Investment property	8,100	—	8,100
Investment in a joint venture	—	—*	—*
Amount due to a related company	3,130	—	3,130
Deposit	9,465	—	9,465
Deferred tax assets	510	—	510
	31,151	—*	31,151
Current assets			
Trade and other receivables	108,391	—	108,391
Contract assets	155,027	—	155,027
Bank balances and cash	23,476	—*	23,476
	286,894	—*	286,894
Current liabilities			
Trade and other payables	92,558	—	92,558
Tax payable	4,195	—	4,195
Bank borrowings	72,721	—	72,721
Lease liabilities — current portion	1,276	—	1,276
	170,750	—	170,750
Net current assets	116,144	—	116,144
Total assets less current liabilities	147,295	—	147,295
Non-current liabilities			
Lease liabilities — non-current portion	2,873	—	2,873
Deferred tax liability	175	—	175
	3,048	—	3,048
Capital and reserves			
Share capital	8,000	—	8,000
Reserves	136,247	—	136,247
Total equity	144,247	—	144,247
	147,295	—	147,295

* *The amounts are less than HK$1,000.*

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	The Group	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	(Note 1)	*(Note 3)*	*(Note 4)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	257,209	—	—	257,209
Cost of sales	(222,916)	—	—	(222,916)
Gross profit	34,293	—	—	34,293
Other income	151	—	—	151
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	(5,813)	—	—	(5,813)
Other expenses	(655)	—	—	(655)
Share of loss of a joint venture	—	—*	—	—*
Administrative expenses	(15,969)	—	(556)	(16,525)
Finance costs	(2,372)	—	—	(2,372)
Profit before taxation	9,635	—*	(556)	9,079
Income tax expense	(1,613)	—	—	(1,613)
Profit for the year	8,022	—*	(556)	7,466
Other comprehensive income				
Item that will not be reclassified to profit or loss:				
Gain on revaluation of a property upon transfer to investment property	2,355	—	—	2,355
Profit and total comprehensive income for the year	10,377	—*	(556)	9,821

* *The amounts are less than HK$1,000.*

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	The Group	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	(Note 1)	*(Note 5)*	*(Note 3)*	*(Note 4)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES					
Profit before taxation	9,635	—	—*	(556)	9,079
Adjustments for:					
Bank interest income	(151)	—	—	—	(151)
Depreciation of property, plant and equipment	794	—	—	—	794
Depreciation of right-of-use assets	897	—	—	—	897
Finance costs	2,372	—	—	—	2,372
Share of loss of a joint venture	—	—	—*	—	—*
Net impairment losses on contract assets	5,918	—	—	—	5,918
Net reversal of impairment loss on trade receivables	(134)	—	—	—	(134)
Net impairment losses on other receivables	29	—	—	—	29
Operating cash flows before movements in working capital	19,360	—	—	(556)	18,804
Increase in trade and other receivables	(803)	—	—	—	(803)
Increase in contract assets	(10,107)	—	—	—	(10,107)
Decrease in trade and other payables	(25,934)	—	—	—	(25,934)
Cash used in operations	(17,484)	—	—	(556)	(18,040)
Hong Kong Profits Tax paid	(1,011)	—	—	—	(1,011)
NET CASH USED IN OPERATING ACTIVITIES	(18,495)	—	—	(556)	(19,051)
INVESTING ACTIVITIES					
Acquisition of a joint venture	—	—*	—	—	—*
Purchase of property, plant and equipment	(6,766)	—	—	—	(6,766)
Interest received	151	—	—	—	151
NET CASH USED IN INVESTING ACTIVITIES	(6,615)	—*	—	—	(6,615)

	The Group	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	The Enlarged Group
	(Note 1)	*(Note 5)*	*(Note 3)*	*(Note 4)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES					
New bank borrowings raised	290,849	—	—	—	290,849
Repayment of bank borrowings	(242,669)	—	—	—	(242,669)
Interest paid	(2,372)	—	—	—	(2,372)
Dividend paid	(2,000)	—	—	—	(2,000)
Repayment of lease liability	(737)	—	—	—	(737)
NET CASH FROM FINANCING ACTIVITIES	43,071	—	—	—	43,071
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,961	—*	—	(556)	17,405
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	33,318	—	—	—	33,318
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	51,279	—	—	—	50,723

* *The amounts are less than HK$1,000.*

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2022 as set out in the interim report of the Company for the six months ended 30 September 2022 issued on 11 November 2022, audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 March 2022 as extracted from the annual report of the Company for the year ended 31 March 2022 issued on 24 June 2022.

2. The adjustment represents the cost of the interest in the Target Company, assuming the consideration of HK$1 to acquire 25% of the issued share capital of the Target Company had concurrently taken place on 30 September 2022.

   After the Acquisition, the Group will own 50% of the issued share capital of the Target Company and recognised the cost as the carrying amount of the joint venture. The reconciliation of the carrying amount of interest in Target Company is calculated as follows:

	As at 30 September 2022 The Target Company *HK$*
Cost of unlisted investment in a joint venture	1
Share of post-acquisition loss and other comprehensive expense	—
	1

3. The adjustment represents the share of loss of the Target Company to the extent of the Group's interest in Target Company which is extracted from the statement of consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flow of the Target Company for the year ended 31 December 2021 as set out in pages II-5, II-8 and II-9 in Appendix II to this Circular. A reconciliation of the shares of loss attributable to the Group is calculated as follows:

	Year ended 31 December 2021 The Target Company *HK$*
Loss for the year	54,876
Proportion of the Group's ownership in Target Company	50%
Share of loss of the Target Company *(Note)*	(1)

Note: When the Group's share of loss equals or exceeds its interest in the Target Company, the Group does not recognise further loss. Hence, the Group's carrying amount in the joint venture has been reduced from HK$1 to HK$Nil.

4. The adjustment represents the professional fee directly attributable to the Acquisition.

5. The adjustment represents the cash outflow for the cost of the interest in the Target Company, assuming the consideration of HK$1 to acquire 25% issued share capital of the Target Company had concurrently taken place during the year ended 31 March 2022.

6. Apart from notes above, no other adjustment has been made to reflect any result or other transactions of the Group entered into subsequent to 31 March 2022 for the purpose of preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income or the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 March 2022.

7. The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

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

The following is the text of the report, set out on pages III-1 to III-10 received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

McMillanWoods
Professionalism at the forefront

24/F, Siu On Centre,
188 Lockhart Road,
Wan Chai, Hong Kong

TO THE DIRECTORS OF CHI HO DEVELOPMENT HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chi Ho Development Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 September 2022, the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 31 March 2022, the unaudited pro forma statement of cash flows for the year ended 31 March 2022 and related notes as set out on pages III-1 to III-7 of the circular issued by the Company dated 23 December 2022 (the "**Circular**") in connection with the proposed acquisition of 25% of the issued share capital of the Acasa Property Limited (the "**Target Company**") and its subsidiary (hereafter referred to as the "**Target Group**"), which in aggregate constitute a very substantial acquisition transaction (the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-7 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 September 2022 and the Group's financial performance and cash flows for the year ended 31 March 2022 as if the Acquisition had taken place at 30 September 2022 and 1 April 2021 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2022, and the Group's financial performance and cash flows have been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 March 2022, on which an audited report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional 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" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM 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 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2022 or 1 April 2021 would have been as presented.

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

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong, 23 December 2022

Acasa Property Limited is an investment holding company incorporated in Hong Kong. The principal business of the Target Group is investment property holding.

Set out below is the management discussion and analysis of the results of the Target Group for the period from 31 July 2019 (date of incorporation) to 31 December 2020 ("**FY2020**"), for the year ended 31 December 2021 ("**FY2021**") and for the nine months ended 30 September 2022 ("**9M2022**") (collectively, the "**Reporting Periods**"). The following financial information is based on the accountants' report of the Target Group as set out in Appendix II to this Circular.

FINANCIAL OVERVIEW

For FY2020 and FY2021

Revenue and segmental information

The Target Group only has one operating segment which is property development. There was no revenue generated during FY2020 and FY2021.

Income tax expense

During FY2020 and FY2021, there was no income tax expense for the Target Group as there was no assessable profit.

Loss for the year

The Target Group recorded loss of approximately HK$34,000 and HK$55,000 for FY2020 and FY2021, respectively. The losses represented operating expenses incurred in the respective year.

Liquidity, financial resources and capital structure

As at 31 December 2020 and 2021, the Target Group recorded net current assets of approximately HK$51.1 million and HK$24.9 million, respectively. The decrease in net current assets was mainly attributable to the reclassification of bank borrowing from non-current liabilities to current liabilities as at 31 December 2021.

As at 31 December 2020 and 2021, the amount due to director was approximately HK$62.7 million and HK$64.4 million respectively, and had no fixed repayment terms, repayable on demand, and non-interest bearing. The amounts due to related companies were approximately HK$92.9 million and HK$98.9 million as at 31 December 2020 and 2021, respectively. The amounts due to related companies were unsecured, repayable on demand and carry interest range from 2.8%–10% per annum and 2.8%-10% per annum, respectively.

As at 31 December 2020 and 2021, the Target Group had provided a financial guarantee to certain bank in respect of banking facilities granted to a related company, Group Sense Limited amounting to approximately HK$82.1 million and HK$111.1 million respectively. The Target Group considers that it is more likely than not that no amount will be payable under the arrangement. As at 31 December 2020 and 2021, the Target Group's gearing ratios (defined as interest-bearing bank borrowings divided by equity) were approximately 104.8% and 105.0%, respectively.

Foreign exchange risk

The normal operations and investments of the Target Group are mainly in Hong Kong, with revenue and expenditure denominated in Hong Kong dollars. During FY2020 and FY2021, the Target Group was not exposed to any material foreign exchange risk as all of its business transactions, assets and liabilities were denominated in Hong Kong dollars. The Target Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during FY2020 and FY2021.

Contingent liabilities

As at 31 December 2020, the Target Company has given an unlimited corporate guarantee and pledged the property under development to a bank to secure bank facilities granted to a related company, namely Group Sense Limited.

As at 31 December 2021, the Target Company has given an unlimited corporate guarantee to secure bank facilities granted to a related company, namely Group Sense Limited.

The sole director of the Target Company considered the impact of contingent liabilities is immaterial since it is highly unlikely that liabilities will be brought against the Target Company.

Pledge of assets

As at 31 December 2020 and 2021, the Target Group had pledged the property under development (i.e. the Property) with a carrying amount of approximately HK$171.4 million and HK$178.9 million, respectively, to secure general banking facilities and bank borrowings granted to the Target Group.

Employee and remuneration policy

During FY2020 and FY2021, the Target Group had no employees.

Material investments, acquisitions and disposals

The Target Group did not have material acquisition, disposal and significant investment during FY2020 and FY2021.

Capital Commitments

The Target Group had no capital commitments as at 31 December 2020 and 2021.

Future plans for material investments and acquisition of capital assets

As at 31 December 2020 and 2021, the Target Group did not have plans for material investments and capital assets.

For 9M2022

Revenue and segmental information

The Target Group only has one operating segment which is property development. There was no revenue generated during 9M2022.

Income tax expense

During 9M2022, there was no income tax expense for the Target Group as there was no assessable profit.

Loss for the period

The Target Group recorded loss of approximately HK$8.3 million for 9M2022. The significant loss for 9M2022 was primarily due to impairment loss on property under development. No impairment loss on property under development has been provided for during FY2020 and FY2021. Affected by the continuation of the COVID-19 pandemic and the increased interest rate, impairment loss of HK$8,176,000 has been provided for the 9M2022.

Liquidity, financial resources and capital structure

As at 30 September 2022, the Target Group recorded net current assets of approximately HK$16.6 million. The decrease in net current assets by approximately HK$8.3 million from approximately HK$24.9 million as at 31 December 2021 to approximately HK$16.6 million as at 30 September 2022 was mainly attributable to (i) decrease in deposit and other receivable amounting to approximately HK$38.6 million which represents stamp duty recoverable of the prepaid land lease where the amount was fully recovered during the 9M2022; (ii) repayment of amount due to director/related companies amounting to approximately HK$6.8 million; and (iii) repayment of bank borrowing amounting to approximately HK$26.2 million.

As at 30 September 2022, the amounts due to related companies were approximately HK$156.5 million which was unsecured, repayable on demand and carry interest of 1-month HIBOR plus 2.85% per annum.

As at 30 September 2022, the Target Group had provided a financial guarantee to certain bank in respect of banking facilities granted to a related company, Group Sense Limited amounting to approximately HK$91.2 million. The Target Group considers that it is more likely than not that no amount will be payable under the arrangement. As at 30 September 2022, the Target Group has no bank borrowings and therefore its gearing ratio (defined as interest-bearing bank borrowings divided by equity) was nil.

Foreign exchange risk

The normal operations and investments of the Target Group are mainly in Hong Kong, with revenue and expenditure denominated in Hong Kong dollars. During 9M2022, the Target Group was not exposed to any material foreign exchange risk as all of its business transactions, assets and liabilities were denominated in Hong Kong dollars. The Target Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during 9M2022.

Contingent liabilities

As at 30 September 2022, the Target Company has given an unlimited corporate guarantee to secure bank facilities granted to a related company, namely Group Sense Limited.

The sole director of the Target Company considered the impact of contingent liabilities is immaterial since it is highly unlikely that liabilities will be brought against the Target Company.

Pledge of assets

As at 30 September 2022, the Target Group had no pledged assets.

Employee and remuneration policy

During 9M2022, the Target Group had no employees.

Material investments, acquisitions and disposals

Save for the Property, during 9M2022, the Target Group did not have any other material acquisition, disposal and significant investment.

Capital Commitments

The Target Group had no capital commitments as 30 September 2022.

Future plans for material investments and acquisition of capital assets

Save for the Project, as at 30 September 2022, the Target Group did not have plans for material investments and capital assets.

BUSINESS REVIEW AND OUTLOOK

The Target Group has a parcel of ground located at No.18 Kimberley Street, Kowloon, Hong Kong, with a site area of approximately 1,400 square feet. The Target Group intends to participate in the redevelopment of the Property and construct a new building on the Property for commercial use.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from CHFT Advisory and Appraisal Ltd., and independent property valuer, in connection with its valuation as at 30 September 2022 of the property interests to be acquired by the Company.

華坊 CHFT 諮詢評估有限公司 ADVISORY AND APPRAISAL LTD.

香港干諾道中90號大新行16樓1601室
1601, 16/F., Sun House, 90 Connaught Road Central, Hong Kong
電話 Tel: +852 2301 4080 傳真 Fax: +852 2301 4988

Date of Report: 23 December 2022

The Board of Directors

Chi Ho Development Holdings Limited
Units 1, 2 & 8, 9/F, Magnet Place Tower 1,
77–81 Container Port Road, Kwai Chung,
New Territories, Hong Kong

RICS Regulated by RICS

Dear Sirs/Madams,

Re: Valuation on a Development Site at No. 18 Kimberley Street, Tsim Sha Tsui, Kowloon

In accordance with an instruction from Chi Ho Development Holdings Limited (the "**Company**") for us to value the captioned property, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of such property interests as at **30 September 2022** (the "**Date of Valuation**") for the purpose of **Public Circular** of the Company in relation to an acquisition only.

We are acting as external valuer and in the position to provide an objective and unbiased valuation to the Company. We confirm that we have no material connection or involvement with the subject asset or the other parties to the valuation assignment. Unless otherwise stated, we have sufficient current local knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

VALUATION BASIS

The valuation complies with "The HKIS Valuation Standards 2020" published by The Hong Kong Institute of Surveyors ("**HKIS**"), "RICS Valuation — Global Standards" published by the Royal Institution of Chartered Surveyors ("**RICS**"), and the "International Valuation Standards" ("**IVS**") published on 31 July 2021 by the International Valuation Standards Council as well as the requirements set out in Chapter 8 of the rules governing the Listing of securities on GEM made by The Stock Exchange of Hong Kong Limited.

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

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the property interests.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of onerous nature which could affect its value.

For the purpose of valuation, we have adopted the gross floor area, and no further verification work has been conducted. Whilst the common local practices are based on the gross floor area or saleable area, no re-measurement of the floor area by International Property Measurement Standards as advocated by RICS has been made.

VALUATION METHODOLOGY

According to "HKIS Guidance Notes on Valuation of Development Land" dated September 2016 published by HKIS, direct comparison method is considered the best method of valuation for development land, if relevant comparable site sales are available. There were three commercial site transactions in Tsim Sha Tsui within a year prior to the Date of Valuation. We have therefore adopted direct comparison method as our primarily valuation approach. This method is based on transactions of comparable properties have been made. Comparable properties with similar characteristics, location and so on are analysed and carefully weighed against all respective advantages and disadvantages of the property in order to arrive at the fair comparison of value.

We have also applied the residual method for cross reference. Such method involves Gross Development Value assessment of a development to be erected on the property based on a proposed or hypothetical development scheme by the direct comparison method. The development costs for the proposed development including construction costs and professional fees together with allowances on interest payment and developer's profit are deducted from the Gross Development Value. The resultant figure is being existing state of the property. The indicative result from the residual method is close to the result from the direct comparison method.

SOURCE OF INFORMATION

We have been conducted title searches to the property. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Company, in particular, but not limited to planning approvals, statutory notices, easements, proposed development scheme, etc. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries.

Site inspection of the property was carried on 20 October 2022 by Mr. Alex PW Leung (MHKIS, MRICS). We have inspected the exterior of the property. We have not inspected those parts of the property which are covered, unexposed or inaccessible and such parts have been assumed to be in reasonable conditions. We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspection, we have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for any future development. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring lands, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists.

LIMITATION OF LIABILITIES

We have had no reason to doubt the truthfulness and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information provided. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

The responsible valuer is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation assignment. Our findings or conclusion of value of the property in this report is valid only for the stated purpose and at the Date of Valuation, and for the sole use of the Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Company contractual undertakings in respect of their services and shall be deemed to have paid to the Company such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding Five Hundred Thousand Hong Kong Dollars. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

Unless otherwise stated, all monetary amounts stated herein are denoted in Hong Kong Dollars ("**HK$**"), the lawful currency in Hong Kong; and the floor and site areas are quoted in square foot ("**sq ft**").

We enclose herewith the valuation report.

Yours faithfully,
For and on behalf of
CHFT Advisory and Appraisal Ltd.

Alex PW Leung MRICS MHKIS
Senior Director

Encl.

Note: Mr. Alex PW Leung is a member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors. Mr. Leung has over 20 years' experience in valuing properties in Hong Kong.

Property Held for Future Development

VALUATION REPORT

Property	Description and Tenure	Occupancy Details	Market Value as at the Date of Valuation
No. 18 Kimberley Street, Tsim Sha Tsui, Kowloon, Hong Kong The property is registered as Kowloon Inland Lot No. 8878	The property is a clear site on the northern side of Kimberley Street within the commercial hub of Tsim Sha Tsui. The immediate area comprises of a mixture of hotels, commercial buildings, and tenement blocks. Kimberley Street is also known as "Little Korea", where a number of Korean restaurants and shops are found. Under the relevant government lease, the site is for non-industrial purposes. Its site area is about 1,400 sq ft. Under the relevant Outline Zoning Plan ("**OZP**"), the site falls within an area zoned as "Commercial (6)", where uses like office, shop and services, eating place and hotel are always permitted. As per the Notes to the OZP, the maximum plot ratio and maximum building height on the land are 12.0 and 110 m above Principal Datum respectively. In addition, a minimum of 1.5 m wide non-building area from the lot boundary abutting the road shall be provided. In view of the restrictions under the government lease, the OZP as well as the Building (Planning) Regulations, a commercial development with a maximum gross floor area of 16,800 sq ft could be built on the subject site. According to a set of approved building plans provided by the Company, a 19-storey commercial tower with a gross floor area of 16,792 sq ft has been permitted to build on the site. As per letters issued by the Buildings Department and the District Lands Office, there is no special condition imposed in respect of the approval of the abovementioned building plans. The property is held under Conditions of Regrant No. 8127 for a term of 150 years commencing 24 June 1888. The annual government rent payable is HK$32 for the whole lot.	As informed, the property was vacant as at the Data of Valuation.	**HK$173,000,000** (HONG KONG DOLLARS ONE HUNDRED SEVENTY-THREE MILLION) 25% interests to be acquired — HK$43,250,000

Notes:

(a) The registered owner of the property is K18 Property Limited vide Assignments registered by Memorial Nos. 19100800200038, 19100800200062, 19100800200014 and 19100800200024 all dated 10 September 2019.

(b) As informed by the Company, K18 Property Limited is a wholly owned subsidiary of Acasa Property Limited. Acasa Property Limited was owned as to 25% by the Company before this proposed acquisition.

(c) The property is subject to the following encumbrances:

(i) Mortgages between K18 Property Limited as the mortgagor, Group Sense Limited as the borrower and Hang Seng Bank Limited as the lender for all sums of money are registered by Memorial Nos. 19100800200045 and 19100800200072 both dated 10 September 2019. The borrower through the mortgages has applied to the lender to grant to the borrower general banking facilities by charging the property as security for due payment. If any event of default has occurred, the lender has rights to take possession of the property, to lease the property the lender thinks fit, and to sell the property subject to lawful conditions.

(ii) Rental assignments in favour of Hang Seng Bank Limited are registered by Memorial Nos. 19100800200055 and 19100800200086 both dated 10 September 2019. Under the rental assignments, the mortgagor assigns to the lender all the mortgagor's right, title, interest and benefit in any moneys payable to the mortgagor by the lessees. The mortgagor undertakes with the lender that the mortgagor shall procure the due performance of the lessees, notify the lender any default by any lessee, as well as upon the written request of the lender, procure the lessees pay all payments of rent to the lender.

(d) The subject property falls within an area zoned as "Commercial (6)" under Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 gazetted on 13 December 2013.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' interest

As at the Latest Practicable Date, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) 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 were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares as at the Latest Practicable Date:

Name of Directors	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Leung Ka Ho, Raymond *(Notes 1 & 2)*	Interest in a controlled corporation; interest held jointly with another person	546,980,000 ordinary shares	68.37%
Mr. Ho Chi Kwan *(Notes 1 & 3)*	Interest in a controlled corporation; beneficial owner; interest held jointly with another person	546,980,000 ordinary shares	68.37%

Notes:

1. Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan have entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of the Group and continue as at and after the date of the Concert Parties Confirmatory Deed.

2. 546,980,000 Shares in which Mr. Leung Ka Ho, Raymond is interested consist of (i) 333,410,000 Shares held by Sharp Talent Holdings Limited, a company wholly owned by Mr. Leung Ka Ho, Raymond, in which he is deemed to be interested under the SFO; and (ii) 213,570,000 Shares in which Mr. Leung Ka Ho, Raymond is deemed to be interested as a result of being a party acting-in-concert with Mr. Ho Chi Kwan.

3. 546,980,000 Shares in which Mr. Ho Chi Kwan is interested consist of (i) 199,590,000 Shares held by Diamondfield Holdings Limited, a company wholly owned by Mr. Ho Chi Kwan, in which he is deemed to be interested under the SFO; (ii) 13,980,000 Shares held as beneficial owner; and (iii) 333,410,000 Shares in which Mr. Ho Chi Kwan is deemed to be interested as a result of being a party acting-in-concert with Mr. Leung Ka Ho, Raymond.

Long position in the ordinary shares of associated corporations

Name of Directors	Name of associated corporations	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Leung Ka Ho, Raymond	Sharp Talent Holdings Limited *(Note 1)*	Beneficial owner	1 ordinary shares	100%
Mr. Ho Chi Kwan	Diamondfield Holdings Limited *(Note 2)*	Beneficial owner	1 ordinary shares	100%

Notes:

1. As at the Latest Practicable Date, Sharp Talent Holdings Limited holds 333,410,000 Shares of the Company.

2. As at the Latest Practicable Date, Diamondfield Holdings Limited holds 199,590,000 Shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had, or was deemed to have, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 were taken or deemed to have under such provisions of the SFO; (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.47 of the GEM Listing Rules relating to the securities transactions by the Directors to be notified to the Company and the Stock Exchange.

Substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, had interests or a short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long positions in Shares as at the Latest Practicable Date:

Name	Capacity	Number and class of securities	Approximate percentage of shareholding
Sharp Talent Holdings Limited	Beneficial owner; interest held jointly with another person	533,000,000 ordinary shares	66.6%
Diamondfield Holdings Limited	Beneficial owner; interest held jointly with another person	533,000,000 ordinary shares	66.6%

Note:

Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan have entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of the Group and continue as at and after the date of the Concert Parties Confirmatory Deed. As such, pursuant to the Concert Parties Confirmatory Deed, each of the controlling Shareholders, Sharp Talent Holdings Limited (being wholly owned by Mr. Leung Ka Ho, Raymond), Diamondfield Holdings Limited (being wholly owned by Mr. Ho Chi Kwan) and Mr. Leung Ka Ho, Raymond and Mr. Ho Chi Kwan are deemed to be interested in approximately 66.8% of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than a Director or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of Part XV of the SFO.

3. COMPETING BUSINESS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors, controlling Shareholder nor their respective close associates had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

4. SERVICE CONTRACTS

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

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

There was no contract or arrangement in which any Directors was materially interested and which was significant in relation to the business of the Enlarged Group subsisting as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2022 (the date of which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

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

(i) the S&P Agreement;

(ii) the JV Agreement;

(iii) the Funding Undertaking;

(iv) the Facility Agreement; and

(v) a sale and purchase agreement dated 8 August 2022 entered into among the Purchaser, the Vendor and the Target Company in respect of the Previous Acquisition, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the 2,000 ordinary shares in the share capital of the Target Company, representing 25% equity interest in the Target Company for a total consideration of HK$1.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice, which are contained in this Circular:

Name	Qualification
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants
CHFT Advisory and Appraisal Ltd	an independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the text of its letter and/or the references to its name in the form and context in which it appears.

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

As at the Latest Practicable Date, each of the above experts was not interested, directly or indirectly, in any assets which have been disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2022, being the date of which the latest published audited accounts of the Company were made up.

9. MISCELLANEOUS

(a) The secretary of the Company is Mr. Chung Kiu Pan, who is a member of the Hong Kong Institute of Certified Public Accountants and a certified public accountant (practising) of Hong Kong Institute of Certified Public Accountants.

(b) The compliance officer of the Company is Mr. Leung Ka Ho, Raymond who is the Chairman of the Board and executive Director of the Company. He is a member of Australian Institute of Building, a member of the Chartered Institute of Building, a member of the Hong Kong Institute of Construction Managers (previously known as Hong Kong Institute of Builders), and a member of the Contractor's Authorised Signatory Association Limited.

(c) The registered office of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

(d) The head office and principal place of business of the Company is Units 901, 902 and 908, 9/F, Magnet Place Tower 1, 77–81 Container Port Road, Kwai Chung, New Territories, Hong Kong.

(e) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(f) The English texts of this Circular shall prevail over the Chinese texts in case of inconsistency.

10. AUDIT COMMITTEE

An audit committee of the Company ("**Audit Committee**") was established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision D.3.3 set out in part 2 of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules. The Audit Committee must consist of a minimum of three members, all of whom must be non-executive Directors, at least one of whom must have appropriate professional qualification or accounting or related financial management expertise. The chairman of the Audit Committee is Mr. Yau Sze Yeung, and other members include Mr. Moy Yee Wo, Matthew and Mr. Leung Hung Kwong, Derrick, each being an independent non-executive Director. The main objective of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities to the Company and each of its subsidiaries to act in the interest of the Shareholders as a whole.

Biographical information of each member of the Audit Committee is set out below:

Mr. Yau Sze Yeung (邱思揚), aged 45, was appointed as the independent non-executive Director on 22 February 2017. He is the chairman of the Audit Committee, and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Yau has over 20 years of experience in various sections of the financial industry including audit and corporate finance. He was the financial controller of Janco Holdings Limited, a company listed on GEM (Stock Code: 8035) from July 2015 to October 2019. And he was also the executive director and company secretary of Janco Holdings Limited from April 2016 to October 2019. Since July 2022, Mr. Yau has been the independent non-executive director of China Uptown Group Company Limited, a company listed on Main Board (Stock Code: 2330).

Mr. Yau obtained a bachelor's degree of business administration in accountancy from City University of Hong Kong. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, he was not a director in any listed companies for the last three preceding years.

Mr. Moy Yee Wo, Matthew (梅以和), aged 43, was appointed as the independent non-executive Director on 22 February 2017. He is the chairman of the Nomination Committee, and a member of each of the Audit Committee and Remuneration Committee.

Mr. Moy has over 20 years of experience in various sections of the financial industry including audit, corporate finance and asset management. From August 2012 to January 2019, he was the chief financial officer of China Silver Group Limited, a company listed on the Main Board (Stock Code: 0815). Since February 2019, he has been the chief financial officer of Apollo Future Mobilities Group Limited, a company listed on the Main Board (Stock Code: 0860). Mr. Moy also serves as an independent non-executive Director of Reach New Holdings Limited (Stock Code: 8471) since June 2017. Since October 2022, Mr. Moy has been the independent non-executive director of Janco Holdings Limited, a company listed on GEM (Stock Code: 8035).

Mr. Moy obtained his bachelor of business administration in accounting and he further obtained his master of business administration at the Hong Kong University of Science & Technology. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Mr. Leung Hung Kwong, Derrick (梁雄光), aged 53, was appointed as the independent non-executive Director on 22 February 2017. He is the chairman of the Remuneration Committee and the Safety Compliance Committee, and a member of each of the Audit Committee and Nomination Committee.

Mr. Leung has over 31 years of experience in the engineering and construction industry. In August 2008, he joined Yee Hop Engineering Company Limited which is the subsidiary of Yee Hop Holdings Limited, a company listed on the Main Board (Stock Code: 1662). He has been the executive director of Yee Hop Holdings Limited since February 2015.

Mr. Leung obtained his bachelor's degree of science in engineering from the National Taiwan University in Taiwan and obtained his master's degree of philosophy in civil & structural engineering from the Hong Kong University of Science & Technology. He is currently a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers in the disciplines in civil, geotechnical and structural. He is also a registered professional engineer (geotechnical, structural) of engineers registration board.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

11. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.chdev.com.hk up to and including the date which is 14 days from the date of this Circular:

(a) the S&P Agreement;

(b) the JV Agreement;

(c) the Funding Undertaking;

(d) the Facility Agreement;

(e) the accountants' report on the Target Company as set out in Appendix II to this Circular;

(f) the letter in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this Circular;

(g) the property valuation report in respect of the Property, the text of which is set out in Appendix V to this Circular;

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

(i) this Circular.

CHI HO DEVELOPMENT HOLDINGS LIMITED
滙鑫發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8423)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that a EXTRAORDINARY GENERAL MEETING (the "**EGM**") of Chi Ho Development Holdings Limited (the "**Company**") will be held at Units 901, 902 and 908, 9/F, Magnet Place Tower 1, 77–81 Container Port Road, Kwai Chung, New Territories, Hong Kong on Thursday, 19 January 2023 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution which will be proposed, with or without modification, as ordinary resolution:

ORDINARY RESOLUTION

Words and expressions that are not expressly defined in this notice shall bear the same meanings as that defined in the Circular of the Company dated 23 December 2022.

"**THAT**

(a) the S&P Agreement supplemented by the JV Agreement, a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified;

(b) the Funding Undertaking, a copy of which is tabled at the meeting and marked "B" and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified; and

(c) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to or in connection with the Acquisition and the Financial Guarantee and the transactions contemplated thereunder."

Yours faithfully,
By order of the Board
Chi Ho Development Holdings Limited
Leung Ka Ho, Raymond
Chairman of the Board and Executive Director

Hong Kong, 23 December 2022

Registered office:
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

Head office and principal place of business in Hong Kong:
Units 901, 902 and 908, 9/F
Magnet Place Tower 1
77–81 Container Port Road
Kwai Chung, New Territories
Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member. A member who is holder of two or more shares may appoint more than one proxy to attend on the same occasion. A form of proxy for use at the EGM is enclosed herewith.

(2) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

(3) In the case of joint registered holders of any share in the capital of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if it/he/she was solely entitled thereto, but if more than one of such joint registered holders is present at the EGM, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

(4) Completion and return of the form of proxy will not preclude members from attending and voting at the EGM or any adjourned meeting if they so wish. If a member attends the EGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.

(5) The register of members of the Company will be closed from Monday, 16 January 2023 to Thursday, 19 January 2023, both dates inclusive, in order to determine the identity of the Shareholders who are entitled to attend the EGM, during that date no share transfers will be registered. To be eligible to attend the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 13 January 2023.