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 stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Chinney Kin Wing Holdings Limited**, you should hand this circular at once to the purchaser(s) or transferee(s) or to the bank, licensed securities dealers or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

CHINNEY KIN WING HOLDINGS LIMITED
建 業 建 榮 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1556)

MAJOR TRANSACTION
THE ACQUISITION OF 50% SHARE CAPITAL OF THE TARGET COMPANY

Capitalised terms used in this cover shall have the same meanings as defined in the section headed "Definitions" of this circular.

A letter from the Board containing details of the Acquisition is set out on pages 5 to 14 of this circular.

The transaction being the subject matter of this circular has been approved by written Shareholder's approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

* *For identification purpose only*

9 December 2020

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 30 September 2020 entered into between the Purchaser, the Company and the Vendor in relation to the sale and purchase of the Sale Shares
"Announcement"	the joint announcement of the Company and Chinney Alliance dated 30 September 2020 in relation to, among others, the Acquisition
"Board"	the board of Directors
"Business Day(s)"	day(s) on which commercial banks are open for general business in Hong Kong
"Chinney Alliance"	Chinney Alliance Group Limited (建聯集團有限公司*), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 385), and is the holding company of the Company
"Company"	Chinney Kin Wing Holdings Limited (建業建榮控股有限公司*), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1556)
"Completion"	completion of the Acquisition pursuant to the terms of the Acquisition Agreement
"connected person(s)"	has the meanings as ascribed to it under the Listing Rules
"Consideration"	the consideration of HK$190,000,000 for the Acquisition, subject to adjustments as stated in the Acquisition Agreement
"Director(s)"	director(s) of the Company from time to time
"Enlarged Group"	the Group and the Target Company upon Completion
"FY"	financial year
"Group"	the Company and its subsidiaries

* *For identification purpose only*

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and any of its respective connected persons (as defined under the Listing Rules)
"Initial Deposit"	a sum of HK$2,000,000 paid by the Purchaser to the Vendor upon the signing of the MOU
"Latest Practicable Date"	7 December 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Lease Agreements"	the two lease agreements to be entered into between the Target Company as lessor and the Purchaser (or any person or entity appointed by the Purchaser) as lessee in respect of usage of Property upon Completion
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	the date being the ninetieth (90th) day from the date of the Acquisition Agreement, or such other date as may be agreed in writing between the Vendor and the Purchaser
"Longstop Time"	5 p.m. on the Longstop Date
"MOU"	the memorandum of understanding dated 20 July 2020 entered into between Kin Wing Chinney (BVI) Limited, the immediate holding company of the Purchaser, a direct wholly-owned subsidiary of the Company and an indirect non wholly-owned subsidiary of Chinney Alliance, the Company and the Vendor in relation to the Acquisition. On 18 September 2020, Kin Wing Chinney (BVI) Limited assigned all its rights, benefits, interests, liabilities and obligations under the MOU to the Purchaser

"Net Asset Value"	an amount equal to the current assets of the Target Company (including stock, trade receivables and prepayments) other than, the value of the Property and deferred tax assets (if any) less current liabilities of the Target Company (actual and contingent including any third party financing (if any), trade payables, customer prepayments, other payables and accruals and provisions) other than deferred tax liabilities as at Completion
"Other Shareholder"	the holder of the remaining 30% of the entire issued share capital and voting right of the Target Company, who is an Independent Third Party
"Parties"	the Purchaser, the Company and the Vendor
"Property"	all the pieces or parcels of ground registered in the Land Registry as Section A and B of Lot No.163, Lot No.164, Sub-Section 1 of Section B of Lot No.165, the Remaining Portion of Section B of Lot No.165, Section D of Lot No.165, the Remaining Portion of Lot No.165, 166 and 167, Lot Nos.168, 169, 170 and 171 in Demarcation District No.128, Yuen Long, New Territories together with the messuages erections and buildings thereon (if any)
"Purchaser"	Chinney Kin Wing Property Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company and an indirect non wholly-owned subsidiary of Chinney Alliance
"Sale Shares"	190 class "A" voting shares and 5,000 class "B" non-voting shares in the issued share capital of the Target Company, representing 50% of the entire issued share capital and voting right of the Target Company
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	the holders of the Shares

"Shareholders Agreement"	the shareholders' agreement to be entered into among the Purchaser, the Vendor, the Other Shareholder and the Target Company upon Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Senior Rich Development Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party
"Vendor"	Profit Gainer Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party
"%"	per cent

CHINNEY KIN WING HOLDINGS LIMITED
建 業 建 榮 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1556)

Executive Directors:
Mr. Yuen-Keung Chan *(Chairman)*
Mr. James Sing-Wai Wong
Mr. Wing-Sang Yu *(Managing Director)*
Mr. Philip Bing-Lun Lam
Mr. Hin-Kwong So

Independent non-executive Directors:
Mr. Siu-Chee Kong
Mr. Ivan Ti-Fan Pong
Mr. Robert Che-Kwong Tsui

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
Room 2308, 23/F, Wing On Centre
111 Connaught Road Central
Hong Kong

9 December 2020

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION
THE ACQUISITION OF 50% SHARE CAPITAL
OF THE TARGET COMPANY

INTRODUCTION

Reference is made to the Announcement dated 30 September 2020 in relation to, among other things, the Acquisition.

The purpose of this circular is to provide you with information in respect of, among other things, (a) further details of the Acquisition and the Property; and (b) other information as required under the Listing Rules.

* *For identification purpose only*

THE ACQUISITION

On 30 September 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company and an indirect non wholly-owned subsidiary of Chinney Alliance), the Company (as the Purchaser's guarantor) entered into the Acquisition Agreement with the Vendor in relation to the acquisition of the Sale Shares free from encumbrance at the Consideration of HK$190,000,000 (subject to adjustments as set out below). The Sales Shares represents 50% of the entire issued share capital and voting right of the Target Company, which is the sole legal and beneficial owner of the Property.

THE ACQUISITION AGREEMENT

Key terms of the Acquisition Agreement are summarised below:

1. Date

30 September 2020

2. Parties

(1) the Purchaser

(2) the Company (as the Purchaser's guarantor)

(3) the Vendor

To the best knowledge, information and belief of the Directors, after having made reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

3. Asset to be acquired

The Sale Shares, representing 50% of the entire issued share capital and voting right of the Target Company free from encumbrance.

4. Consideration

The consideration for the acquisition of the Sale Shares shall initially be HK$190,000,000, subject to adjustments of the estimated Net Asset Value of the Target Company as set out below. The Consideration shall be payable in cash and the payment terms are as follows:

(i) upon signing of the MOU, the Initial Deposit was paid;

(ii) upon Completion, a sum of HK$62,000,000 shall be payable by the Purchaser to the Vendor;

(iii) the remaining balance of the Consideration (except for any adjustments of Net Asset Value) of HK$126,000,000 shall be payable by the Purchaser to the Vendor in thirty-six (36) monthly instalments; and

(iv) a pro forma statement of financial position of the Target Company as of Completion will be prepared by the Vendor with an estimated Net Asset Value. The initial consideration of HK$190,000,000 will be adjusted (a) upward by fifty (50)% of the estimated Net Asset Value if such amount is positive; or (b) downward by fifty (50)% of the estimated Net Asset Value if such amount is negative.

Settlement of (iii) and (iv) above shall be made by the Purchaser by providing thirty-six (36) post-dated cheques to the Vendor upon Completion. The amount payable under each cheque shall be HK$3,500,000, except for the last one (the thirty-sixth (36th) post-dated cheque) which shall reflect the aforesaid fifty (50)% of estimated Net Asset Value adjustment.

Within sixty (60) days after Completion, the Vendor shall prepare a draft completion statement with Net Asset Value calculation to the Purchaser for agreement by both parties, failing which such calculation shall be determined by an expert instructed by both the Vendor and the Purchaser. If the difference between the aforesaid estimated Net Asset Value and the Net Asset Value in the agreed completion statement is equal to or less than HK$100,000, the adjustment based on the estimated Net Asset Value shall be final and conclusive. Otherwise, further adjustment on the Consideration shall be made based on the Net Asset Value in the agreed completion statement. Such further adjustment, if any, shall be settled by way of, at the discretion of the Purchaser, cash payment or replacement of the thirty-sixth (36th) post-dated cheque.

The sole major asset of the Target Company is the Property and the Consideration was agreed between the Parties after arm's length negotiations on normal commercial terms with reference to, among other things, (i) valuation by an independent professional valuer in relation to the Property at HK$353.0 million as at 30 September 2020 and (ii) the usage of two parcels of land at nominal rent of HK$1 each representing approximately 50% and 20% respectively of the total land area of the Property with respective valuations of HK$176.5 million and HK$24.6 million by an independent professional valuer as at 30 September 2020. The terms of usage of these two parcels of land will be governed under the Lease Agreements to be entered into by the Purchaser and the Target Company upon Completion. Further details of the terms of the Lease Agreements are set out in paragraph 9 below.

The Directors have considered the Consideration to be at a discount based on the proportionate value (i.e. 50%) of the Net Asset Value together with the value of the usage of two parcels of land at nominal rent of HK$1 each representing a total of 70% of the total land area of the Property amounting to HK$201.1 million in aggregate as at 30 September 2020, both as part and parcel to the Acquisition. As such, the Directors considered the Consideration to be fair and reasonable.

The Consideration will be funded by the internal resources of the Company.

5. Conditions precedent

The Completion is subject to the satisfaction or waiver (if permitted) of the following conditions precedent, among others:

(a) all compliance requirements on the part of the Purchaser and its affiliate (including but not limited to filing, disclosure and/or approvals by directors and/or shareholders of the relevant entities) as may be required under the Listing Rules have been complied with;

(b) the Vendor being the legal and beneficial owner of the Sale Shares without encumbrance and the Target Company being able to show and give title to the Property in accordance with Section 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);

(c) there having been no occurrence of breach of the fundamental warranties given by the Vendor (as referred in the Acquisition Agreement) in any material aspects on or before Completion; and

(d) no material adverse change on the business, operations, assets (including the Property), financial condition or operating results of the Target Company has occurred during the period between the signing of the Acquisition Agreement and immediately before Completion.

Save for condition precedent (a) above, the Purchaser may waive in whole or in part any of the other conditions precedent set out in the Acquisition Agreement by notice in writing to the Vendor. If the condition precedent (a) is not satisfied on or before the Longstop Time, or other conditions precedent are not satisfied or waived on or before Completion, the Completion may be postponed by no more than ten (10) Business Days; or the Acquisition Agreement may be terminated.

In the event (i) any of the conditions precedent in relation to the Vendor's part to satisfy is not satisfied on or before the Longstop Time; or (ii) that Completion does not take place due to the Vendor's non-compliance with the steps and deliverables required to be taken and provided by the Vendor upon Completion under the Acquisition Agreement, both of which resulting in the termination of the Acquisition Agreement, the Vendor shall refund the Initial Deposit to the Purchaser.

In the event that (i) condition precedent (a) in relation to the Purchaser's part to satisfy is not satisfied on or before the Longstop Time, provided that the non-satisfaction is not due to the Vendor's fault; or (ii) that Completion does not take place due to the Purchaser's non-payment of the Consideration, both of which resulting in the termination of the Acquisition Agreement, the Initial Deposit will be retained by the Vendor.

In the event that the Vendor is found to be in breach of the Acquisition Agreement after the Completion, then the Purchaser has the right to claim for damages in addition to any other rights at law. The Purchaser's claim is subject to limitations as set out in the Acquisition Agreement, which do not have material deviation from market practice, e.g. the maximum liability of the Vendor is limited to the amount of the Consideration.

6. Completion

Subject to fulfilment and/or waiver of the conditions precedent, Completion shall take place on a date as notified in writing by the Purchaser to the Vendor in the Completion notice provided that:

(a) the date of Completion shall fall on a date not less than fifteen (15) Business Days after the date of the Completion notice; and

(b) the date of Completion shall not be later than the Longstop Date.

As at the Latest Practicable Date, only condition precedent (b) have been fulfilled. As such, the Completion has not taken place. Given (i) the Target Company did not have any material business operation other than the holding of the Property and the Target Company remained inactive since 31 March 2020, being the date to which the latest audited accounts of the Target Company are made up and up to the Latest Practicable Date and (ii) any fair value change of the Property, being the sole major asset of the Target Company, would not be taken into account in the calculation of the Net Asset Value, the Directors consider the adjustment which may arise from the difference between the aforesaid estimated Net Asset Value and the Net Asset Value in the agreed completion statement would be minimal. To the best knowledge of the Directors, the adjustment to the Consideration in relation to the Net Asset Value shall be less than HK$200,000.

Upon Completion, the Company will be interested in 50% of the equity interest of the Target Company. The Target Company will be accounted for as an associate of the Company.

7. Performance guarantee

The Company, as the Purchaser's guarantor, unconditionally and irrevocably guarantees to the Vendor the due and punctual performance of the Purchaser's obligation under or in respect of the Acquisition Agreement, including the due and punctual payment by the Purchaser of all sums payable thereunder.

8. Shareholders Agreement of the Target Company

The Vendor shall deliver or procure the delivery of the Shareholders Agreement being entered into and duly executed by the Vendor and the Other Shareholder on Completion as part of the Vendor's obligation set out in the Acquisition Agreement. If the Vendor does not comply with the aforesaid obligation, the Purchaser may by notice terminate the Acquisition Agreement.

Pursuant to the Shareholders Agreement, the board of directors of the Target Company shall comprise of four (4) directors, among which the Vendor is entitled to nominate and appoint one (1) director, the Other Shareholder is entitled to nominate and appoint one (1) director, and the Purchaser is entitled to nominate and appoint two (2) directors. Save for the reserved matters and the occurrence of the event of default (as referred in the Shareholders Agreement), all matters to be determined by the board of directors of the Target Company shall be by simple majority decision.

Any disposal of equity interest in the Target Company shall be subject to the right of first refusal, pursuant to which the selling shareholder shall deliver a written notice to each non-selling shareholders stating its intention to sell the interest, identity of the potential third party purchaser and the price and other terms of such disposal of interest. The non-selling shareholders shall be entitled to acquire the equity interest in the proposed sale within ten (10) Business Days of the receipt of the written notice on the same price and terms as may be offered to the potential third party purchaser in proportion to their respective percentage shareholdings in Target Company.

In case of either the Vendor or the Other Shareholder has the intention to dispose their equity interest in the Target Company, then the non-selling party of either the Other Shareholder or the Vendor (as case may be) shall have the priority over the Purchaser to purchase such interest. If the Vendor or the Other Shareholder as the non-selling shareholder does not exercise its right to purchase all of the interest under disposal, the Purchaser may purchase the remaining interest. Such arrangement was requested by the Vendor and the Other Shareholder as a pre-requisite for the Acquisition and a commercial decision amongst them, so as to maintain the balance of control of the Target Company between (i) the Purchaser (50% interest) on one hand and (ii) the Vendor and the Other Shareholder (50% interest in aggregate) on the other hand upon Completion. Given that such arrangement is considered not having material adverse impact on the Group when considering the terms of the Acquisition Agreement as a whole and the use of the 70% of the total land size of the Property by the Group is secured under the separate Lease Agreements, the Directors considers this arrangement acceptable.

If non-selling shareholder of the Target Company has not exercised the right of first refusal following receipt of the written notice, any of non-selling shareholder of the Target Company shall be entitled to, within ten (10) Business Days upon expiry of the aforesaid period to elect to purchase the interest under disposal, serve a written notice to request the selling shareholder to procure the potential third party purchaser to purchase all of the shares of the Target Company in addition to such interest and the shareholder loans owing to the non-selling shareholder on the same terms, failing which the right of the selling shareholder to transfer and assign the equity interest to potential third party purchaser shall terminate.

9. Lease Agreements

Despite the entering of the Lease Agreements is not a condition precedent, the Vendor shall deliver or procure the delivery of the Lease Agreements being entered into and duly executed by the Target Company (as landlord) on Completion as part of the Vendor's obligation set out in the Acquisition Agreement. If the Vendor does not comply with the aforesaid obligation, the Purchaser may by notice terminate the Acquisition Agreement, of which the Vendor shall refund the Initial Deposit to the Purchaser without prejudice to the right of the Purchaser to seek damages for the breach of the Acquisition Agreement by the Vendor.

Under the Lease Agreements, nominal rent of HK$1 for each of the two Lease Agreements would be paid by the Company to the Target Company for the usage of approximately 50% of total size of the Property (total land area of approximately 107,000 square feet) commencing upon Completion and expiring on the date being one (1) day before the expiry of the government grant and the usage of approximately 20% of total size of the Property (total land area of approximately 43,000 square feet) for thirteen (13) years commencing upon Completion.

Under the Shareholders Agreement and the lease agreement concerning the usage of approximately 50% of the total size of the Property, if the relevant government grant is subsequently renewed, extended or re-granted, a new lease agreement of the premise under the new government grant in the same form of the original lease agreement at nominal rent of HK$1 will be entered into between the Target Company and the Purchaser (or any person or entity appointed by the Purchaser), commencing upon the signing of the said agreement and expiring on the date being one (1) day before expiry of the renewed, extended or re-granted government grant.

The Lease Agreements to be entered into comprises of 70% of the total land area of the Property, which is leased to the Vendor before Completion and the remaining 30% of the total land area of the Property is being and is expected to remain to be leased to the Other Shareholder upon Completion. The arrangement is a commercial decision between the Purchaser, the Vender and the Other Shareholder. The Directors consider the Acquisition (including the Lease Agreements to be entered into upon Completion) allows the Group to use a portion of the Property and can reduce the exposure of the Company to future rental expenditure increment and commitments. For further details, please refer to the section headed "REASONS AND BENEFITS FOR THE ACQUISITION".

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company is a property holding company incorporated in Hong Kong with limited liability in 1988. There are 380 class "A" voting shares and 10,000 class "B" non-voting shares issued and fully paid in the share capital of the Target Company.

The Target Company's sole major asset is the legal and beneficial interest in the Property which comprises all those pieces or parcels of ground registered in the Land Registry as Section A and B of Lot No. 163, Lot No. 164, Sub-Section 1 of Section B of Lot No. 165, the Remaining Portion of Section B of Lot No. 165, Section D of Lot No. 165, the Remaining Portion of Lot No. 165, 166 and 167, Lot Nos. 168, 169, 170 and 171 in Demarcation District No. 128, Yuen Long, New Territories together with the messuages erections and buildings thereon (if any). The total land area of the Property is approximately 214,000 square feet. For further details of the Property, please refer to the valuation in respect of the Property included in the Appendix V to this circular.

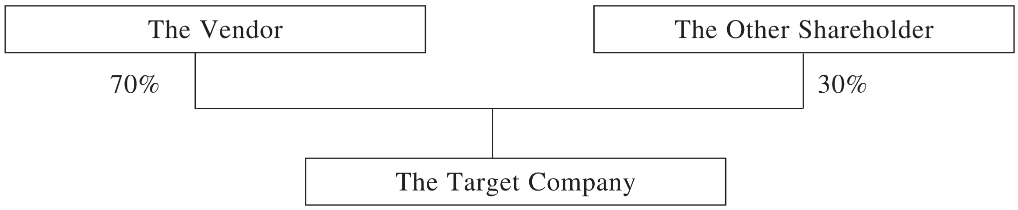
Below sets out the financial information of the Target Company for the years ended 31 March 2019 and 2020 extracted from the accountants' report of the Target Company included in the Appendix II of this circular:

	For the year ended 31 March 2019	**For the year ended 31 March 2020**
	HK$'000	*HK$'000*
	(audited)	*(audited)*
Net profit before taxation	21,524	10,057
Net profit after taxation	21,375	9,985

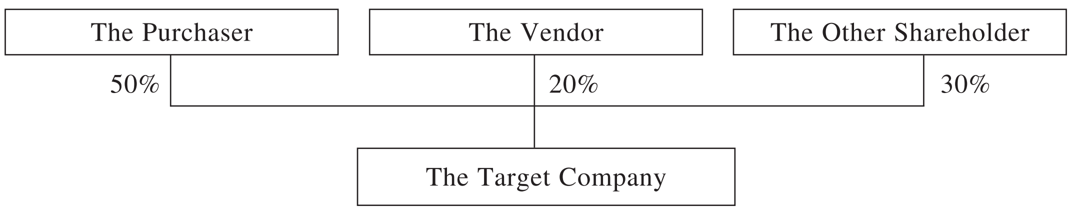
Based on the accountants' report of the Target Company, the net asset value was approximately HK$351.1 million as of 31 March 2020.

Below sets out the shareholding structure of the Target Company.

Prior to Completion



Immediately upon Completion



FINANCIAL IMPACT OF THE ACQUISITION

The Consideration of HK$190,000,000 will be funded by the internal resources of the Group. As at the Latest Practicable Date, the Initial Deposit of HK$2,000,000 of the Consideration have been paid by the Group.

Upon Completion, the Company will indirectly own 50% equity interest in the Target Company. The Target Company will become an associate of the Group, and the financial results of the Target Company will be equity accounted for in the Group's consolidated financial statements. Given (i) the Group intended to use the 70% of the total land area of the Property under the Lease Agreements upon Completion as depot for maintenance of machinery and equipment and storage facility as stated in the section headed "REASONS AND BENEFITS FOR THE ACQUISITION", and (ii) the acquisition of 50% equity interest in the Target Company and the entering of the Lease Agreements do not constitute a business, the Group will identify and recognise the individual identifiable assets acquired upon Completion, of which the cost of the acquisition of 50% equity interest in the Target Company and the right-of-use assets derived from the Lease Agreements will be allocated to the individual identifiable assets on the basis of their relative fair values upon Completion.

As referred to in "Appendix III – Unaudited Pro Forma Financial Information of the Enlarged Group" to this circular, on the basis of the notes set out therein for the purposes of illustrating the effects of the Acquisition, the financial effects of the Acquisition on the Group as if the Acquisition had taken place and had been completed on 30 June 2020 would be as follows:

(a) the total assets and total liabilities of the Enlarged Group could have increased by approximately HK$128.4 million and approximately HK$130.8 million, respectively upon Completion due to the recognition of investment in an associate, rights-of-use assets in respect of the usage of the Property under the Lease Agreements and other payables; and

(b) the financial effect to the earnings of the Group after Completion would be the share of profit or loss of the Target Company and the depreciation expenses of the right-of-use assets arising from the Lease Agreements over their respective lease terms.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and its principal business is investment holding. The ultimate beneficial owner of the Vendor is Mr. James Yiu-Chi Tang and is an Independent Third Party.

REASONS AND BENEFITS FOR THE ACQUISITION

The principal activities of the Company and its subsidiaries comprise of foundation construction and drilling and site investigation works for both public and private sectors in Hong Kong and overseas.

The existing lease term of depot for maintenance of machinery and equipment and storage facility of the Company with gross land area of approximately 180,000 square feet will expire in early 2021. The Directors have used their best endeavor in identifying alternative suitable sites to meet the Company's requirements.

The Acquisition provides the Company and its subsidiaries an opportunity to use a portion of the Property with an aggregate gross land area of approximately 150,000 square feet and can reduce the exposure of the Company to future rental expenditure increments and commitments.

Taking into account of the above factors, including among others, the ease of access for transportation, the Consideration and term of the Lease Agreements, the Directors consider that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition. As such, no Shareholders would be required to abstain from voting if a special general meeting of the Company were convened to approve the Acquisition and the transactions contemplated thereunder.

Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval may be accepted in lieu of holding a general meeting. Chinney Alliance, being the controlling shareholder of the Company, is holding approximately 74.50% of the total issued Shares has given the Company a written approval to the Acquisition and the transaction contemplated thereunder. Accordingly, no special general meeting of the Company will be convened for the purpose of approving the Acquisition and the transactions contemplated thereunder.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Acquisition contemplated thereunder are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and would recommend the Shareholders to vote in favour of the resolution to approve the Acquisition and the transactions contemplated thereunder if the Company were to convene a general meeting to approve the Acquisition.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Yuen-Keung Chan
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial statements of the Group for each of the three years ended 31 December 2017, 2018 and 2019, and the six months ended 30 June 2020 are disclosed in the following documents respectively, which have been published on the website of the Company (www.chinneykinwing.com.hk) and the website of the Stock Exchange (www.hkexnews.hk):

(1) annual report of the Company for the year ended 31 December 2017 published on 25 April 2018 (pages 43-92):

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/ltn201804251374.pdf

(2) annual report of the Company for the year ended 31 December 2018 published on 25 April 2019 (pages 42-102):

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn201904251703.pdf

(3) annual report of the Company for the year ended 31 December 2019 published on 27 April 2020 (pages 43-108):

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042702616.pdf

(4) interim report of the Company for the six months ended 30 June 2020 published on 23 September 2020 (pages 8-26):

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0923/2020092300322.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had no bank and other borrowings.

Lease Liabilities

As at 30 September 2020, the Group had lease liabilities of approximately HK$3.2 million, all of which were due within one year.

Contingent liabilities

As at 30 September 2020, the contingent liabilities incurred by the Group for provision of corporate guarantees and indemnities to certain financial institutions for an aggregate amount of approximately HK$260.5 million for the issue of performance bonds in its ordinary course of business.

Capital Commitment

As at 30 September 2020, the Group had capital commitment contracted but not provided for of approximately HK$23.6 million in respect of the acquisition of equipment and machinery.

General

Saved as aforesaid, and apart from intra-group liabilities and normal trade and retention monies payables in the ordinary course of the business of the Group, at the close of business on 30 September 2020, the Group did not have any (i) other outstanding debt securities, whether issued and outstanding, authorised or otherwise created but unissued; (ii) other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances or acceptance credits, whether guaranteed, unguaranteed, secured or unsecured borrowings or debt; (iii) other recognised lease liabilities, outstanding mortgages and charges; or (iv) other material contingent liabilities or guarantees.

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the Group's indebtedness position and contingent liabilities since 30 September 2020.

3. MATERIAL ADVERSE CHANGE

As of 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 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

4. WORKING CAPITAL OF THE GROUP

The Directors are of the opinion that, after taking into account of the internal financial resources and available existing unutilised credit facilities available to the Group, the Group will have sufficient working capital in the absence of unforeseen circumstances for its present requirements and for at least the next 12 months from the date of publication of this circular.

5. FINANCIAL AND OPERATION PROSPECTS OF THE GROUP

The Company and its subsidiaries are principally engaged in the business including foundation construction and ancillary services, drilling and site investigation works for both public and private sectors in Hong Kong and overseas.

The Company is committed to delivering value to the Shareholders, maximising business growth opportunities through efficient capital and asset allocations. The Directors are of the opinion that the Company is in a healthy financial position, allowing it to readily capture potential opportunities with long term value potentials which may arise in the future.

The uncertain economic and political environment and the outbreak of COVID-19 novel coronavirus in Hong Kong and worldwide will no doubt continue to pose significant challenge to the Group.

The Group will continue to closely monitor the developments in the Hong Kong economy, foundation industry and the COVID-19 pandemic and adjust the strategies as needed and takes all possible and reasonable measures to mitigate the effect on the Group's operations.

The following is the text of a report from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Board of Directors
Chinney Kin Wing Holdings Limited

Dear Sirs,

We report on the historical financial information of Senior Rich Development Limited (the "**Target Company**") set out on pages II-4 to II-29, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 March 2018, 2019 and 2020, and the five months ended 31 August 2020 (the "**Relevant Periods**"), the statements of financial position of the Target Company as at 31 March 2018, 2019 and 2020, and 31 August 2020 and a summary of significant accounting policies and other explanatory information (the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-29 forms an integral part of this report, which has been prepared for inclusion in the circular of Chinney Kin Wing Holdings Limited dated 9 December 2020 (the "**Circular**") in connection with the acquisition of the 50% equity interest in the Target Company by Chinney Kin Wing Property Limited, an indirect wholly-owned subsidiary of the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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 ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 financial position of the Target Company as at 31 March 2018, 2019 and 2020, and 31 August 2020 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 August 2019 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim 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 2.1 to the Historical Financial Information.

Adjustments

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

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
9 December 2020

I HISTORICAL FINANCIAL INFORMATION

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

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Five months ended 31 August	
		2018	**2019**	**2020**	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
REVENUE	*4*	636	1,271	799	449	–
Direct costs		(213)	(218)	(228)	(118)	(96)
Administrative expenses		(12)	(29)	(14)	–	(1)
Change in fair value of investment properties		69,500	20,500	9,500	–	1,500
Written-off of deposits received		–	–	–	–	56
PROFIT BEFORE TAX		69,911	21,524	10,057	331	1,459
Income tax expense	*7*	(47)	(149)	(72)	(55)	–
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		69,864	21,375	9,985	276	1,459

STATEMENTS OF FINANCIAL POSITION

		31 March			31 August
		2018	2019	2020	2020
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSET					
Investment properties	*9*	319,500	340,000	349,500	351,000
CURRENT ASSETS					
Prepayments and deposits	*11*	44	86	81	76
Due from a director	*12*	–	–	1,300	–
Due from a related company	*12*	424	558	–	–
Tax recoverable		342	–	137	137
Bank balance	*13*	37	663	254	99
Total current assets		847	1,307	1,772	312
CURRENT LIABILITIES					
Rental deposits received and accruals	*14*	64	65	65	–
Due to a director	*12*	590	–	–	–
Due to a related company	*12*	–	–	154	–
Tax payable		–	174	–	–
Total current liabilities		654	239	219	–
NET CURRENT ASSETS		193	1,068	1,553	312
TOTAL ASSETS LESS CURRENT LIABILITIES		319,693	341,068	351,053	351,312
NET ASSETS		319,693	341,068	351,053	351,312
EQUITY					
Share capital	*15*	10	10	10	10
Retained profits		319,683	341,058	351,043	351,302
Total equity		319,693	341,068	351,053	351,312

STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital HK$'000	Retained profits HK$'000	Total equity HK$'000
As at 1 April 2017		10	249,819	249,829
Profit and total comprehensive income for the year		–	69,864	69,864
As at 31 March 2018 and 1 April 2018		10	319,683	319,693
Profit and total comprehensive income for the year		–	21,375	21,375
As at 31 March 2019 and 1 April 2019		10	341,058	341,068
Profit and total comprehensive income for the year		–	9,985	9,985
As at 31 March 2020 and 1 April 2020		10	351,043	351,053
Profit and total comprehensive income for the period		–	1,459	1,459
Interim dividend	*8*	–	(1,200)	(1,200)
As at 31 August 2020		10	351,302	351,312

	Share capital HK$'000	Retained profits HK$'000	Total equity HK$'000
As at 31 March 2019 and 1 April 2019	10	341,058	341,068
Profit and total comprehensive income for the period (unaudited)	–	276	276
As at 31 August 2019 (unaudited)	10	341,334	341,344

STATEMENTS OF CASH FLOWS

		Year ended 31 March			Five months ended 31 August	
		2018	2019	2020	2019	2020
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		69,911	21,524	10,057	331	1,459
Adjustments for:						
Change in fair value of investment properties	*5*	(69,500)	(20,500)	(9,500)	–	(1,500)
Written-off of deposits received		–	–	–	–	(56)
		411	1,024	557	331	(97)
Decrease/(increase) in prepayments and deposits		42	(42)	5	8	5
Increase in an amount due from a director		–	–	(1,300)	(449)	–
Decrease/(increase) in an amount due from a related company		(424)	(134)	558	–	–
Increase/(decrease) in rental deposits received and accruals		8	1	–	–	(9)
Increase/(decrease) in an amount due to a director		590	(590)	–	–	–
Increase in an amount due to a related company		–	–	154	–	–
Cash generated from/(used in) operations		627	259	(26)	(110)	(101)
Hong Kong profits tax refunded/(paid)		(590)	367	(383)	–	–
Net cash flows from/(used in) operating activities		37	626	(409)	(110)	(101)

		Year ended 31 March			Five months ended 31 August	
		2018	2019	2020	2019	2020
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
CASH FLOWS FROM A FINANCING ACTIVITY						
Dividend paid and cash flow used in a financing activity	*16*	–	–	–	–	(54)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		37	626	(409)	(110)	(155)
Cash and cash equivalents at beginning of year/period		–	37	663	663	254
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		37	663	254	553	99
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS						
Bank balance	*13*	37	663	254	553	99

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Senior Rich Development Limited is a limited liability company incorporated in Hong Kong. Its registered office is located at 1/F., Front, 438 Nathan Road, Kowloon, Hong Kong.

The Target Company is engaged in property investment.

Target Company's immediate and ultimate holding company is Profit Gainer Holdings Limited ("**Profit Gainer**") which was incorporated in the British Virgin Islands. Profit Gainer holds 70% equity interest of the Target Company and the remaining 30% is held by Sky Idea Investments Limited which was incorporated in Hong Kong.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from the Relevant Periods, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The historical financial information is presented in HK$ and all values are rounded to the nearest thousand except when otherwise indicated.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties which have been measured at fair value.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Historical Financial Information. The Target Company intends to adopt them, if applicable, when they become effective.

HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1, HKFRS 9, HKAS 41 and Illustrative Examples accompanying HKFRS 16[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption

The directors of the Target Company anticipate that the application of the new and revised HKFRSs will have no material impact on the Target Company's financial position and financial performance in the foreseeable future.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Target Company measures its investment properties at fair value at the end of each Relevant Periods.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each of the Relevant Periods.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same groups;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a groups of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Leases

The Target Company assesses at contract inception whether a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessor

When the Target Company acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Target Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Target Company allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient, the Target Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For rental receivables, the Target Company applies a simplified approach in calculating ECLs. Therefore, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Company's financial liabilities include rental deposits received and accruals and amounts due to a director and a related company.

Subsequent measurement of financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences, and at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Fair value of investment properties

Investment properties are carried in the statement of financial position at its fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Target Company's investment properties and the corresponding adjustments to the gain or loss recognised in profit or loss.

4. REVENUE

An analysis of revenue and is as follows:

	Year ended 31 March			Five months ended 31 August	
	2018	**2019**	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue from other source					
Gross rental income from investment property operating leases:					
Variable lease payments that do not depend on an index or a rate	636	1,271	799	449	–

5. PROFIT BEFORE TAX

The Target Company's profit before tax is arrived at after charging/(crediting):

		Year ended 31 March			Five months ended 31 August	
		2018	**2019**	**2020**	**2019**	**2020**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Auditor's remuneration		8	9	9	–	–
Change in fair value of investment properties	*9*	(69,500)	(20,500)	(9,500)	–	(1,500)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		213	218	228	118	96
Written-off of deposits received		–	–	–	–	(56)

6. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Target Company during the Relevant Periods.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

	Year ended 31 March			Five months ended 31 August	
	2018	**2019**	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current – Hong Kong					
Charge for the year/period and total tax charge for the year/period	47	149	72	55	–

There was no significant unprovided deferred tax in respect of the Relevant Periods and as at the end of each of the Relevant Periods.

A reconciliation of the tax expense applicable to the profit before tax at the statutory rate to the tax charge at the effective rate is as follows:

	Year ended 31 March			Five months ended 31 August	
	2018	**2019**	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before tax	69,911	21,524	10,057	331	1,459
Tax at the statutory tax rate	11,535	3,551	1,659	55	241
Income not subject to tax	(11,468)	(3,382)	(1,567)	–	(248)
Expenses not deductible for tax	–	–	–	–	7
Others	(20)	(20)	(20)	–	–
Tax charge at the Target Company's effective rate	47	149	72	55	–

8. DIVIDEND

An interim dividend of a total amount of HK$1,200,000 was approved by the Target Company's directors by written resolution on 13 August 2020 and was settled through the current accounts between the parties, except for a payment of HK$54,000 paid on 28 August 2020.

	Year ended 31 March			Five months ended 31 August	
	2018	**2019**	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interim – HK$3,157.9 (Year/period ended 31 March 2020, 31 August 2019, 31 March 2019 and 31 March 2018: Nil) per ordinary share of class "A" voting shares	–	–	–	–	1,200

9. INVESTMENT PROPERTIES

	31 March 2018	31 March 2019	31 March 2020	31 August 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at the beginning of the year/period	250,000	319,500	340,000	349,500
Net gain from a fair value adjustment	69,500	20,500	9,500	1,500
Carrying amount at the end of the year/period	319,500	340,000	349,500	351,000

The Target Company's investment properties consisted of parcels land in Hong Kong. The Target Company's investment properties were revalued on 31 March 2018, 2019 and 2020 and 31 August 2020 based on valuations performed by A.G. Wilkinson & Associate (Surveyors) Limited, independent professionally qualified valuers, at HK$319,500,000, HK$340,000,000, HK$349,500,000, and HK$351,000,000 respectively. The investment properties are leased to a related party under operating leases, further summary details of which are included in note 10 to the Historical Financial Information.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Company's investment properties:

	Fair value measurement as at 31 August 2020 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Land	–	–	351,000	351,000

	Fair value measurement as at 31 March 2020 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Land	–	–	349,500	349,500

	Fair value measurement as at 31 March 2019 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Land	–	–	340,000	340,000

	Fair value measurement as at 31 March 2018 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Land	–	–	319,500	319,500

During each of the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Land
	HK$'000
Carrying amount at 1 April 2017	250,000
Net gain from a fair value adjustment recognised in profit or loss	69,500
Carrying amount at 31 March 2018 and 1 April 2018	319,500
Net gain from a fair value adjustment recognised in profit or loss	20,500
Carrying amount at 31 March 2019 and 1 April 2019	340,000
Net gain from a fair value adjustment recognised in profit or loss	9,500
Carrying amount at 31 March 2020 and 1 April 2020	349,500
Net gain from a fair value adjustment recognised in profit or loss	1,500
Carrying amount at 31 August 2020	351,000

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average			
				31 March		31 August
			2018	2019	2020	2020
Land	Direct comparison approach	Prevailing market price (per sq.ft.)	HK$1,050 to HK$1,528	HK$1,083 to HK$1,660	HK$1,083 to HK$1,700	HK$1,083 to HK$1,700

Market comparison approach

The fair value of investment properties is determined using the direct comparison approach for valuing these properties in their respective existing condition and use on the market basis with reference to comparable market transactions as reported in the market at similar locations. The valuations take into account the characteristics of the properties which include the location, size, transaction time, zoning, shape, size and accessibility and other factors collectively. Higher prevailing market price for properties with positive characteristics will result in a higher fair value measurement.

10. LEASES

The Target Company as a lessor

The Target Company leases its investment properties *(note 9)*. The lease terms are of short-term varies between 3 months and 12 months. Rental income recognised by the Target Company during the years ended 31 March 2018, 2019 and 2020 and the five months ended 31 August 2019 and 2020 was HK$636,000, HK$1,271,000, HK$799,000, HK$449,000 and nil, respectively, details of which are included in note 4 to the Historical Financial Information.

11. PREPAYMENTS AND DEPOSITS

	31 March			31 August
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	–	10	5	–
Deposits *(note 18)*	44	76	76	76
	44	86	81	76

The carrying amount of deposits approximated to their fair value as at the end of each of the Relevant Periods. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at the end of each of the Relevant Periods were considered to be minimal.

12. BALANCES WITH A DIRECTOR AND A RELATED COMPANY

Particulars of amounts due from/(to) a director and a related company, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	31 August 2020	**Maximum Amount outstanding during the year/period**	**31 March 2020 and 1 April 2020**	**Maximum amount outstanding during the year**	**1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from a director					
James Yiu-Chi Tang	–	–	1,300	1,300	–
Due from/(to) a related company					
Able Rich Logistics Limited	–	–	(154)	558	558

	31 March 2019	**Maximum Amount outstanding during the year**	**31 March 2018 and 1 April 2018**	**Maximum amount outstanding during the year**	**1 April 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from/(to) a director					
James Yiu-Chi Tang	–	–	(590)	–	–
Due from a related company					
Able Rich Logistics Limited	558	558	424	424	–

Able Rich Logistics Limited is controlled by Chung-On Chan and James Yiu-Chi Tang, which are also the directors of and have beneficial interests in the Target Company.

Balances with a director and a related company are unsecured, interest-free and repayable on demand.

13. BANK BALANCE

At the end of each of the Relevant Periods, the bank balance of the Target Company was denominated in HK$. The bank balance is deposited with a creditworthy bank with no recent history of default. The carrying amount of the bank balance approximated to its fair value.

14. RENTAL DEPOSITS RECEIVED AND ACCRUALS

	31 March 2018	31 March 2019	31 March 2020	31 August 2020
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Accrued expenses	8	9	9	–
Rental deposits received	56	56	56	–
	64	65	65	–

15. SHARE CAPITAL

	31 March 2018	31 March 2019	31 March 2020	31 August 2020
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Issued and fully paid:				
380 ordinary shares of class "A" voting shares*	–	–	–	–
10,000 ordinary shares of class "B" non-voting shares	10	10	10	10
	10	10	10	10

* This item was with amount less than a thousand.

The holder of ordinary shares of class "A" voting shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at the general meeting of the Target Company.

The class "B" non-voting shares have no voting rights, are not entitled to dividends and are not entitled to any distribution upon winding up unless a sum of HK\$100,000,000,000 had been distributed to the holders of the class "A" voting shares.

16. NOTE TO THE STATEMENT OF CASH FLOWS

Major non-cash transaction

During the period ended 31 August 2020, interim dividend of HK\$1,200,000 to the shareholders, of which HK\$1,146,000 was settled through the current accounts between the parties.

17. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these Historical Financial Information, the Target Company had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 March			**Five months ended 31 August**	
	2018	**2019**	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rental income from a related company:					
Able Rich Logistics Limited	636	1,271	799	449	–

Note:

In the opinion of the directors, the above transactions were conducted at mutually agreed rates on basis determined by both parties.

(b) Outstanding balances with related parties:

Details of the Target Company's outstanding balances with a director and a related company as at the end of each of the Relevant Periods are included in note 12 to the Historical Financial Information.

(c) Compensation of key management personnel of the Target Company;

The Target Company's key management personnel are the directors and they did not receive any remuneration from the Target Company for their services rendered during the Relevant Periods.

18. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	Financial assets at amortised cost			
	31 March			31 August
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets included in prepayments and deposits *(note 11)*	44	76	76	76
Due from a director	–	–	1,300	–
Due from a related company	424	558	–	–
Bank balance	37	663	254	99
	505	1,297	1,630	175

Financial liabilities

	Financial liabilities at amortised cost			
	31 March			31 August
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental deposits received and accruals	64	65	65	–
Due to a director	590	–	–	–
Due to a related company	–	–	154	–
	654	65	219	–

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of bank balance, financial assets included in prepayments and deposits, rental deposits received and accruals, balances with a director and a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments mainly include bank balance, financial assets included in prepayments and deposits, rental deposits received and accruals and balances with a director and a related company which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Target Company's operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage each of these risks and they are summarised below:

(a) Credit risk

The Target Company's bank balance is held in a financial institution located in Hong Kong, which management believes is of high credit quality. The Target Company has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers.

Maximum exposure and period/year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period/year-end staging classification as at 31 August 2020, 31 March 2020, 31 March 2019 and 31 March 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 August 2020					
Financial assets included in prepayments and deposits					
– Normal*	76	–	–	–	76
Bank balance					
– Not yet past due	99	–	–	–	99
	175	–	–	–	175

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2020					
Financial assets included in prepayments and deposits					
– Normal*	76	–	–	–	76
Due from a director					
– Normal*	1,300	–	–	–	1,300
Bank balance					
– Not yet past due	254	–	–	–	254
	1,630	–	–	–	1,630

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2019					
Financial assets included in prepayments and deposits					
– Normal*	76	–	–	–	76
Due from a related company					
– Normal*	558	–	–	–	558
Bank balance					
– Not yet past due	663	–	–	–	663
	1,297	–	–	–	1,297

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2018					
Financial assets included in prepayments and deposits					
– Normal*	44	–	–	–	44
Due from a related company					
– Normal*	424	–	–	–	424
Bank balance					
– Not yet past due	37	–	–	–	37
	505	–	–	–	505

* The credit quality of financial assets included in prepayments and deposits and balances with a director and a related company is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(b) Liquidity risk

The Target Company aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Target Company finances its working capital requirements through a combination of funds generated from operations and bank.

The maturity profile of the Target Company's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	On demand	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2020					
Rental deposits received and accruals	–	65	–	–	65
Due to a related company	154	–	–	–	154
	154	65	–	–	219

	On demand	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2019					
Rental deposits received and accruals	–	65	–	–	65

	On demand	**Less than 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2018					
Rental deposits received and accruals	–	64	–	–	64
Due to a director	590	–	–	–	590
	590	64	–	–	654

(c) Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Target Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Target Company includes, within net debt, rental deposits received and accruals, amounts due to a director and a related company, less bank balance. The gearing ratios as at the end of each of the Relevant Periods were as follows:

		31 March		31 August
	2018	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental deposits received and accruals	64	65	65	–
Due to a director	590	–	–	–
Due to a related company	–	–	154	–
Less: Bank balance	(37)	(663)	(254)	(99)
Net debt	617	(598)	(35)	(99)
Equity	319,693	341,068	351,053	351,312
Gearing ratio	0.2%	N/A	N/A	N/A

21. INFORMATION ON STATUTORY FINANCIAL STATEMENTS OF THE TARGET COMPANY

The statutory financial statements of the Target Company during the years ended 31 March 2018, 2019 and 2020 which were prepared in accordance with *Hong Kong Financial Reporting Standard for Private Entities* issued by HKICPA, were audited by statutory auditor, Nic Yip & Co., Certified Public Accountants (Practising).

22. SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Target Company after 31 August 2020.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 August 2020.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group as enlarged as if the acquisition of 50% equity interest in the Target Company (hereafter collectively called as the "Enlarged Group") had been completed.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group should be read in conjunction with other information included elsewhere in this circular issued by the Company on 9 December 2020 (the "Circular").

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only, based on their judgments, estimations and assumptions, on the basis and notes set forth below for the purpose of illustrating the effects of the acquisition of the 50% equity interest in the Target Company as if the acquisition of the Target Company had been completed on 30 June 2020.

Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the acquisition been completed as at 30 June 2020 or any future dates.

Basis of preparation

The directors of the Company referred to in the Circular that as a result of the various agreements entered into by the Group and the relevant parties, the Group will in effect acquire 50% equity interest in the Target Company together with two long-term lease agreements at a net acquisition consideration of HK$184,353,000 after discounting, excluding transaction costs.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2020 included in the published 2020 interim report of the Company and other financial information included elsewhere in this Circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Statement of assets and liabilities of the Group as at 30 June 2020	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
NON-CURRENT ASSETS				
Property, plant and equipment	241,274	–	–	241,274
Right-of-use assets	5,294	184,197	–	189,491
Investment in an associate	–	156	–	156
Total non-current assets	246,568	184,353	–	430,921
CURRENT ASSETS				
Trade receivables	198,622	–	–	198,622
Contract assets	326,834	–	–	326,834
Prepayments, deposits and other receivables	32,597	–	–	32,597
Due from a fellow subsidiary	1,790	–	–	1,790
Tax recoverable	3,524	–	–	3,524
Cash and cash equivalents	60,819	(56,000)	–	4,819
Total current assets	624,186	(56,000)	–	568,186
CURRENT LIABILITIES				
Trade and retention monies payables	187,224	–	–	187,224
Other payables and accruals	141,005	120,353	2,400	263,758
Dividend payable	22,500	–	–	22,500
Due to fellow subsidiaries	31	–	–	31
Tax payable	10,345	–	–	10,345
Bank overdraft	–	8,000	–	8,000
Lease liabilities	5,420	–	–	5,420
Total current liabilities	366,525	128,353	2,400	497,278
NET CURRENT ASSETS	257,661	(184,353)	(2,400)	70,908
TOTAL ASSETS LESS CURRENT LIABILITIES	504,229	–	(2,400)	501,829
NON-CURRENT LIABILITIES				
Lease liabilities	16	–	–	16
Deferred tax liabilities	41,299	–	–	41,299
Total non-current liabilities	41,315	–	–	41,315
NET ASSETS	462,914	–	(2,400)	460,514

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

1. The unaudited consolidated statement of financial position of the Group as at 30 June 2020 is extracted, without adjustments, from the published interim report of the Company for the six months ended 30 June 2020.

2. On 30 September 2020, Chinney Kin Wing Property Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company) entered into the sale and purchase agreement (the "Acquisition Agreement") with Profit Gainer Holdings Limited (the "Vendor") in relation to the sale and purchase of 190 class "A" voting shares and 5,000 class "B" non-voting shares in issued share capital of the Target Company, representing the 50% equity interest and voting right of the Target Company.

   Upon completion of the acquisition, the Group will hold 50% equity interest and voting right in the Target Company through the wholly-owned subsidiary of the Company. This interest in an associate will be accounted for in the consolidated financial statements of the Enlarged Group by using equity method of accounting in accordance with the Hong Kong Accounting Standard 28 *Investments in Associates and Joint Ventures* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

   Furthermore, at the completion date, the Group will enter (i) a lease with fixed term of 13 years commencing on the completion date; and (ii) a lease with fixed term commencing on the completion date and expiring on the date being one day before the expiry date of the government grant in force. The acquisition of 50% equity interest in the Target Company and two long-term lease agreements does not constitute a business. The Group shall identify and recognise the individual identifiable assets acquired. The cost of the acquisition of 50% equity interest in the Target Company and the two long-term lease agreements shall be allocated to the individual identifiable assets on the basis of their relative fair values at the date of purchase in accordance with the Hong Kong Financial Reporting Standard 3 *Business Combination* issued by the HKICPA.

   The adjustment represents the acquisition of the 50% equity interest of the Target Company and the two long-term lease agreements pursuant to the acquisition at a consideration of HK$184,353,000 after discounting, which is funded by the Group's internal resources and bank borrowings, are analysed as follows:

	HK$'000
50% equity interest of the adjusted net assets of the Target Company acquired by the Group *(Note (a))*	156
Fair value adjustment on the two long-term lease agreements recognised as right-of-use assets *(Note (b))*	184,197
Consideration *(Note (c))*	184,353

Notes:

(a) 50% equity interest of the adjusted net assets of the Target Company acquired by the Group

	HK$'000
Net assets of the Target Company, as at 31 August 2020	351,312
Less: Fair value of investment properties included in net assets of the Target Company	(351,000)
Adjusted net assets of the Target Company, as at 31 August 2020	312
50% equity interest of the adjusted net assets of the Target Company acquired by the Group	156

(b) Fair value adjustment on the two long-term lease agreements of HK$184,197,000 represents the Group's right to use two parcels of land, and are recognised as right-of-use assets, at a cost allocated on the basis of their relative fair values of HK$161,665,000 and HK$22,532,000, based on the respective fair values of HK$176,500,000 and HK$24,600,000 at 30 September 2020 as revalued by A.G. Wilkinson & Associate (Surveyors) Limited, an independent property valuer.

(c) According to the Acquisition Agreement, the consideration of Target Company will be settled by three payments as stated in the paragraph head "Acquisition Agreement – Consideration" in this Circular under the "Letter from the Board". The initial deposit of HK$2,000,000 was paid, remaining balance of the consideration of HK$62,000,000 will be settled on completion, and HK$126,000,000 will be settled in thirty-six (36) monthly instalments by providing thirty-six (36) post-dated cheques upon completion, with the present value of HK$120,353,000 based on a discount rate of 3.0% per annum.

3. The adjustment represents estimated legal and professional fees and other expenses of approximately HK$2,400,000 related to the acquisition.

4. The pro forma fair values of the identifiable assets and liabilities of the Target Company and the two long-term lease agreements in relation to the acquisition are subject to change upon the completion of cost allocation at the completion date, which may be substantially different from their estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

The following is the text of a report from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Chinney Kin Wing Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chinney Kin Wing Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited proforma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2020 and related notes as set out in Appendix III to the circular dated 9 December 2020 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information") in connection with the acquisition of the 50% equity interest in Senior Rich Development Limited (the "Target Company"). Upon the completion of the acquisition, the Company effectively holds 50% equity interest in the Target Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of the Target Company on the Group's assets and liabilities as at 30 June 2020 as if the acquisition of the Target Company had taken place on 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited interim financial statements for the six months period ended 30 June 2020, on which no auditor's report or review report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

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

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

Reporting Accountants' responsibilities

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

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

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the acquisition of the Target Company on unadjusted financial information of the Group as if the acquisition of the Target Company had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the acquisition of the Target Company would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the acquisition of the Target Company, 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 acquisition of the Target Company 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 purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
9 December 2020

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY FOR THE THREE YEARS ENDED 31 MARCH 2018, 2019 AND 2020 AND FIVE MONTHS ENDED 31 AUGUST 2020

Set out below is the management discussion and analysis on the Target Company for the three years ended 31 March 2018, 2019, and 2020 and five months ended 31 August 2020 (the "Track Record Period"). The following information should be read in conjunction with the accountants' report of the Target Company as set out in Appendix II to this circular.

Business Review

The Target Company is a company incorporated in Hong Kong with limited liability, which is principally engaged in property investment.

Revenue

During the Track Record Period, all of the revenue of the Target Company represents gross rental income from investment property operating leases for vacant spaces of the Property. The increase in revenue from HK$636,000 in FY2018 to HK$1,271,000 in FY2019 was mainly due to more storage spaces being leased to tenants during the year. The decrease in revenue from HK$1,271,000 in FY2019 to HK$799,000 in FY2020 was due to less storage spaces being leased to its tenants during the year and rental concessions granted by the Target Company to its tenants from January to March 2020. The decrease in revenue from HK$449,000 for the five months ended 31 August 2019 to nil for the five months ended 31 August 2020 as the rental to its tenants was fully waived from April to August 2020.

Direct costs

The direct costs of the Target Company represent the repairs and maintenance arising from the rental earning activities, which remained relative stable during the Track Record Period. For the three years ended 31 March 2018, 2019 and 2020 and five months ended 31 August 2019 and 2020, the direct costs of the Target Company was HK$213,000, HK$218,000, HK$228,000, HK$118,000 and HK$96,000, respectively.

Change in fair value of investment properties

The Target Company recorded change in fair value of investment properties in its profit and loss arisen from the valuation for the respective year and period ends during the Track Record Period. For the three years ended 31 March 2018, 2019 and 2020 and five months ended 31 August 2019 and 2020, the change in fair value of investment properties of the Target Company was HK$69,500,000, HK$20,500,000, HK$9,500,000, nil and HK$1,500,000, respectively.

Profit for the year/period

Profit for the years ended 31 March 2018, 2019 and 2020 and five months ended 31 August 2019 and 2020 was approximately HK$69,864,000, HK$21,375,000, HK$9,985,000, HK$276,000 and HK$1,459,000, respectively. The fluctuations during the Track Record Period was mainly due to the abovementioned change in fair value of the investment properties.

Liquidity and financial resources

The Target Company generally finances its operations with the cash flows generated internally and its operating activities. As at 31 March 2018, 2019 and 2020 and 31 August 2020, the Target Company had net current assets of HK$193,000, HK$1,068,000, HK$1,553,000 and HK$312,000, respectively.

Gearing ratio

As at 31 March 2018, 2019 and 2020 and 31 August 2020, the Target Company reported gearing ratio (including within net debt, rental deposits received and accruals, amount due to a director and a related company less bank balance) of 0.2%, nil, nil and nil, respectively.

Capital commitment

As at 31 March 2018, 2019 and 2020 and 31 August 2020, the Target Company had no capital commitment.

Foreign exchange exposure and treasury policy

The principal assets and liabilities of the Target Company were denominated in HK$ and were not exposed to any material foreign exchange risk. The Target Company did not have any treasury policy or hedging arrangements.

Charge of assets

As at 31 March 2018, 2019 and 2020 and 31 August 2020, the Target Company did not have any charges on assets.

Contingent Liabilities

The Target Company did not have any contingent liabilities as at 31 March 2018, 2019 and 2020 and 31 August 2020.

Future plans

The Target Company focus on the property investment and does not intend to change this focus. The Target Company had not identified any target for investment or acquisition as of the Latest Practicable Date.

The following is the text of a covering letter and valuation report prepared for the purpose of incorporation in this Circular received from A.G. Wilkinson & Associates (Surveyors) Limited, an independent property valuer, in connection with its opinion of value of the Property as at September 30, 2020.

SINCE 1971
A.G. WILKINSON & ASSOCIATES (SURVEYORS) LIMITED
韋 堅 信 測 量 師 行 有 限 公 司
Unit 2701, 27/F, The Center, 99 Queen's Road Central, Hong Kong.
Tel: 2521-6467 Fax: 2845-2642, 2804-6352 www.agwilkinson.com E-mail: e@agw.com.hk

9 December 2020

The Board of Directors
Chinney Kin Wing Holdings Limited
Room 2308, 23/F, Wing On Centre
111 Connaught Road Central
Hong Kong

Dear Sirs,

Re: Sections A and B of Lot No. 163, Lot No. 164,
Sub-section 1 of Section B of Lot No. 165,
the Remaining Portion of Section B of Lot No. 165,
Section D of Lot No. 165,
the Remaining Portion of Lot Nos. 165, 166 & 167,
Lot Nos. 168, 169, 170 and 171 in D.D. 128
Yuen Long
New Territories
"the subject property"

In accordance with your instructions from Chinney Kin Wing Holdings Limited (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") for us to value the captioned property interests in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purposes of providing you with our opinion of the market value of the subject property as at September 30, 2020 (referred to as the "Valuation Date").

Our valuation of the subject property is our opinion of the Market Value, which is defined by the International Valuation Standards and followed by the HKIS Valuation Standards 2017 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 where the parties had each acted knowledgeably, prudently and without compulsion".

Market value describes an exchange between parties that are unconnected and are operating freely in the market place and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, at the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of the asset is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible.

Market value is also understood as the value of an asset or liability estimated without regard to cost of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

In arriving at our opinion of value, we have adopted in Market Approach on the basis of "Market Value" by taking Comparison Method of Valuation with reference to comparable market transactions as reported in the market at similar locations. Appropriate adjustments have been made between the subject property and the comparables for all relevant factors, such as locational difference, site condition, transaction time, zoning, shape, size and accessibility, etc.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the property value, except where mentioned in our report. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

We have caused searches to be made at the relevant Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any lease amendments. We shall not assume any responsibility for matter legal in nature, nor do we given any opinion as to the title which is assumed to be good, transferable and marketable.

We have arranged from the Lands Department of the Hong Kong SAR Government for Lot Index Plan for the subject lots. However, direct site measurement has not been carried out during our inspection and therefore, we are unable to verify the exact boundaries of the subject lots. We are also not in a position to advise if there has been any encroachment on any of the subject lot or on any of the adjoining government land or private lots.

We have inspected the subject property on October 15, 2020. The inspection was undertaken by our Director of Valuation and Consultancy Service, Sr Ringo C.C. Lam. Please refer to Note 9 on page V-6 for details of the inspection. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for any possible operations or future development. We have not carried out any detailed site measurements to verify the correctness of the site area of the subject property and we have assumed that the site area shown on the documents handed to us are correct.

We have taken reasonable steps and our best effort to verify all data, information and sources of information being relied upon in the preparation of the valuation, including matters such as planning approvals, statutory notices, easements, tenure, occupancy, lettings, floor areas and all other relevant matters. All information, documents and leases have been used as reference only and all dimensions, measurements and areas are approximate. Unless otherwise stated, the conversion factor of 1 acre: 43,560 square feet and 1 square metre to 10.764 square feet is adopted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property, nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation have prepared in accordance with the HKIS Valuation Standards 2017, the relevant provisions in the Companies Ordinance and the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board), Chapter 5.

We attach herein our Valuation Report for your reference.

Yours faithfully,
For and on behalf of
A. G. WILKINSON & ASSOCIATES (SURVEYORS) LIMITED

Sr Ringo C.C. Lam
B. Sc.(Hons), M.C.I.R.E.A., F.H.K.I.S., R.P.S.(GP)
Director of Valuation and Consultancy Services (Head)

RL/AL/jy

Note: Sr Ringo C.C. Lam is a Registered Professional Surveyor (General Practice Division) in the Hong Kong Special Administrative Region of The People's Republic of China. He is a Professional Member of the China Institute of Real Estate Appraisers and a Fellow Member of The Hong Kong Institute of Surveyors. He joined this professional practice since 1995 and he had more than 27 years of post qualification experience in General Practice Surveying in Hong Kong, China.

He is currently on the "List of Property Valuer for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in connection with Takeover and Mergers" of The Hong Kong Institute of Surveyors.

VALUATION REPORT

Property	**Description and Tenure**	**Particular of Occupancy**	**Market Value as at September 30, 2020**
Sections A and B of Lot No. 163, Lot No. 164, Sub-section 1 of Section B of Lot No. 165, the Remaining Portion of Section B of Lot No. 165, Section D of Lot No. 165, the Remaining Portion of Lot Nos. 165, 166 &167, Lot Nos. 168, 169, 170 and 171 in D.D. 128 Yuen Long New Territories	The Property comprises thirteen (13) adjoining land lots, located on the south-eastern side of Deep Bay Road. The site is extensive and laid out in an irregular shape and with main frontage onto Deep Bay Road. The Property has a total surveyed site area of 214,103.50 sq.ft. (19,890.70 sq.m.) or thereabouts. The Property is registered in Yuen Long Land Registry as being Sections A and B of Lot No. 163, Lot No. 164, Sub-section 1 of Section B of Lot No. 165, the Remaining Portion of Section B of Lot No. 165, Section D of Lot No. 165, the Remaining Portion of Lot Nos. 165, 166 &167, Lot Nos. 168, 169, 170 and 171 in D.D.128 and is held from the Government under Government Lease for a lease term expiring on June 30, 2047. The subject lots are intended to be used for heavy truck parking and open storage of construction equipments. There is no option or any rights of pre-emption concerning or affecting the Property.	The Property is held for owner occupation	HK$353,000,000 (HONG KONG DOLLARS THREE HUNDRED AND FIFTY THREE MILLION)

Notes:

1. The registered owner of the property is "Senior Rich Development Limited" vide Memorial No. YL394760 dated March 8, 1989.

2. The surveyed site area of 214,103.50 sq.ft. (19,890.70 sq.m.) is quoted from the Land Boundary Plan No. LBP/YL/128/1001/D1 prepared by Authorised Land Surveyor, Sr Lau Chi Kwong. The plan was dated September 24, 2020.

3. The property is zoned as "Residential (Group D)" (R(D)) and "Agriculture" (AGR) zoning under Ha Tsuen Fringe Outline Zoning Plan No. S/YL-HTF/12 dated October 16, 2018.

4. Recent market transactions of the similar properties in the locality are as follows:

Address	**Transaction Price** *HK$*	**Instrument Date**	**Site Area** *(sq.ft.)*	**Site Area Unit Rate** *(HK$/sq.ft.)*
D.D. 124 Lot No. 1613 & No. 1617	13,329,400	May 5, 2020 (Pro-Agreement for Sale & Purchase)	7,841	1,700
D.D. 129 Lot No. 3096 & No. 3097	10,454,400	May 5, 2020 (Agreement for Sale & Purchase)	6,534	1,600
D.D. 129 Lot No. 3051	38,332,800	January 21, 2020 (Agreement for Sale & Purchase)	23,958	1,600
D.D. 129 Lot No. 2941RP	6,561,600	January 21, 2020 (Agreement for Sale & Purchase)	4,221	1,555
D.D. 129 Lot No. 3163RP	6,377,800	January 8, 2020 (Agreement for Sale & Purchase)	5,798	1,100
D.D. 129 Lot No. 2994 & No. 3069	16,988,400	August 15, 2019 (Agreement for Sale & Purchase)	11,326	1,500
D.D. 128 Lot No. 187 & No. 188	19,350,000	March 13, 2019 (Agreement for Sale & Purchase)	17,860	1,083

5. The Vendor and the Other Shareholder, together is in possession of the legal title of 100% of the rights and interests of the Property and is entitled to dispose of and use of the Property. The Property is not involved in any mortgage, seizure, objection or document filing, except the incumbrance mentioned in Note 6 below.

6. The Property (formerly Lot No. 165RP in D.D. 128) is subject to Short Term Waiver No. 1667 vide Memorial No. YL622153 dated October 2, 1991, of which the owner of this particular lot will need to continue their contractual obligation with the Hong Kong Government to erect or maintain the structure(s) in the development form and specifications of the total site coverage and maximum height of the structure as described in the document, unless such waiver has been terminated. The salient points of the Short Term Wavier are extracted as follows:

   2.2 "No building on the Premises being used for any purpose other than an industrial storage."

   2.4 (a) (i) "Subject to paragraph 2.4(a)(ii) below, you may not erect or maintain or permit or suffer to be erected or maintained on the Premises or any part thereof any structure or structures."

   (ii) "You may, during the subsistence of this temporary waiver, erect or maintain or permit or suffer to be erected or maintained on the Premises or any part thereof a structure or structures provided that:

   (I) the total site coverage of the structures erected on the Premises at the said date does not exceed 253.90 square metres;

   (II) the maximum height of any structure or structures to be erected on the Premises shall not exceed 3.66 metres; and

   (III) My (i.e. District Lands Officer, Yuen Long) prior written approval to commence building work is obtained before any structure or structures are erected or permitted or suffered to be erected on the premises."

(b) (i) *"Notwithstanding anything to the contrary contained in paragraph 2.4(a) hereof, you shall submit plans to the Building Authority for approval in respect of any structure or structures to be erected on the Premises. Such structure or structures shall in all respects comply with the Buildings Ordinance, any regulations made thereunder any amending legislation."*

(ii) *"No building shall be erected on the Premises of a type which by virtue of the Buildings Ordinance (Application to the New Territories) Ordinance and any regulations made thereunder is exempted from the provisions of the Buildings Ordinance and any regulations made thereunder."*

7. As advised by the Group, prior to the Acquisition, the Property was subject to two existing lease agreements, under which a nominal rent of HK$1 for each of the two lease agreements was paid by the Vendor and the Other Shareholder for the usage of approximately 70% and 30% of the total size of the Property to be expired on the date being one (1) day before the expiry of the government grant.

8. As advised by the Group, upon completion of the Acquisition, the Property will be subject to two lease agreements, under which a nominal rent of HK$1 for each of the two Lease Agreements would be paid by the Company to the Target Company for the usage of approximately 50% of the total size of the Property (i.e. approximately 107,000 square feet) commencing upon Completion and expiring on the date being one (1) day before the expiry of the government grant and the usage of approximately 20% of the total size of the Property (i.e. approximately 43,000 square feet) for thirteen (13) years commencing upon Completion.

   As advised by the Group, there is basically no material change in the underlying proportion of land between the 2 sets of lease agreements before and after the Acquisition.

   Upon Completion of the Acquisition, the Other Shareholder, being the lessee of the remaining 30% portion of land standing continue to have the same benefit derived from approximately 30% of the total size of the Property for HK$1 at the same location till the date being one day before the expiry of the government grant. The boundary remains unchanged upon Completion of the Acquisition.

9. The inspection of the Property and the Comparables was undertaken by Sr Ringo C.C. Lam and assisted by Sr Andy W.C. Law on October 15, 2020. Sr Law is a Registered Professional Surveyor (General Practice Division) in the HKSAR of the PRC. He is a professional member of both the CIREA and HKIS, and with about 15 years of post qualification experience in General Practice Surveying in Hong Kong, China.

   At the time of our inspection, the Property was basically vacant. The lots appeared to be generally level at an average level of 10.5m (i.e. 34'6") approximately above Hong Kong Principal Datum (HKPD). They are mainly served by a local vehicular road known as Deep Bay Road, which is a single carriageway branching off from Lau Fu Shan Roundabout. Vehicular access to the lots are considered good. The lots also allow relatively easy and convenient ingress and egress points along the site frontage, making smooth entrance and exit possible for the passage of trucks and large vehicles.

   During the inspection, we noted that some formation work and boundary fencing work were in progress. The subject land lots were paved by mass density concrete slab and some single/two storey metal structures were found to be erected at the north-western part of the subject lots. Besides, some small portions of land were used for the open storage of construction material, construction equipments, containers, lorry parking and some drilling and dredging machines, etc.

   Although the majority of the lots are currently zoned as "Residential (Group D) under Ha Tsuen Fringe Outline Zoning Plan, redevelopment potential for low-rise residential development is considered relatively low at this stage. Open storage is still the prevailing dominant usage of the lots.

10. We confirm that we are independent and we are not aware of any involvement, nor any conflict of interests, previously and/or current, including our firm's rotation policy and time as signatory, which are material in performing this valuation instruction from the Group.

11. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on March 11, 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

    In Hong Kong, market activity is being impacted in many sectors. As at the valuation date, we consider that we should attach less weight to previous market evidence before March 11, 2020 for comparison purposes in preparing our opinion of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a professional judgement.

    Our valuation is therefore reported on the basis of "material valuation uncertainty" as per Paragraph 9.2.3(o) of VS9 of the HKIS Valuation Standards 2017. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this subject property under frequent review.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was 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 or short positions which each of them has taken or deemed to have taken under the SFO); or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the "**Model Code**").

(b) Substantial Shareholders' and other persons' interests and/or short position in the Shares and underlying Shares

As at the Latest Practicable Date and so far as is known to the Directors, the following substantial Shareholders (other than Directors and chief executives of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	*Notes*	**Capacity and nature of interest**	**Number of Shares held**	**Percentage of the Company's issued share capital**
Dr. James Sai-Wing Wong	*1*	Interest through controlled corporations	1,117,500,000	74.50%
Chinney Alliance	*1*	Beneficial owner	1,117,500,000	74.50%
Enhancement Investments Limited	*1,2*	Interest through a controlled corporation	1,117,500,000	74.50%

Notes:

1. Dr. James Sai-Wing Wong, Chinney Alliance and Enhancement Investments Limited are deemed to be interested in the same parcel of the 1,117,500,000 Shares by virtue of Section 316 of the SFO.

2. Enhancement Investments Limited is beneficially wholly-owned by Dr. James Sai-Wing Wong.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' INTERESTS IN THE ASSETS, CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors:

(a) had any interest, direct or indirect, in any assets which have, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Enlarged Group were made up), been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

(b) was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective close associates (as defined under the Listing Rules) had any interest in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, none of the members of the 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 against any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

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

7. MATERIAL CONTRACTS

The following contract(s), not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, have been entered into by the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and which are or may be material:

(1) the Acquisition Agreement

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
Ernst & Young	Certified public accountants
A.G. Wilkinson & Associates (Surveyors) Limited	Independent property valuer

As of the Latest Practicable Date, none of the above experts has:

(1) any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(2) any interest, direct or indirect, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group .

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and references to their names included herein in the form and context in which they appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekdays (except for Saturday and public holidays) at the Company's principal place of business in Hong Kong for a period of 14 days from the date of this circular:

(1) the Acquisition Agreement;

(2) the memorandum of association and bye-laws of the Company;

(3) the accountants' report of the Target Company from Ernst & Young, the text of which is set out in Appendix II to this circular;

(4) the report on the unaudited pro forma financial information of the Enlarged Group from Ernst & Young as set out in Appendix III to this circular;

(5) the valuation report of the Property, the text of which is set out in Appendix V to this circular;

(6) the written consents referred to in the section headed "Experts and Consents" in this appendix;

(7) the annual reports of the Company for the two years ended 31 December 2018 and 2019;

(8) the interim report of the Company for the six months ended 30 June 2020;

(9) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(10) the written approval dated 30 September 2020 from Chinney Alliance; and

(11) this circular.

10. MISCELLANEOUS

(1) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(2) The head office and principal place of business of the Company is located at Room 2308, 23/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

(3) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(4) The company secretary of the Company is Mr. Eric Wing-Hung Yuen, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(5) In the event of any inconsistency, the English text of this circular shall prevail over the respective Chinese text.