

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Hong Fok Land International Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Joint Offerors or the Company.

**HONG FOK
CORPORATION
(CAYMAN) LIMITED**

*(Incorporated in the
Cayman Islands with
limited liability)*

**HONG FOK
ENTERPRISES
LIMITED**

*(Incorporated in Hong
Kong with limited liability)*

**HONG FOK
CORPORATION
(H.K.) LIMITED**

*(Incorporated in Hong
Kong with limited liability)*

**HONG FOK LAND
INTERNATIONAL LIMITED**
(鴻福國際有限公司*)

*(Incorporated in Bermuda with
limited liability)*

**BARRAGAN
TRADING CORP**

*(Incorporated in the British
Virgin Islands with limited
liability)*

**DEKKER
ASSETS LIMITED**

*(Incorporated in the British
Virgin Islands with limited
liability and continued in
Samoa)*

**CHEONG ZEE YEE
LING, HELEN**

**CHEONG HOOI
KHENG**

PROPOSED PRIVATISATION OF HONG FOK LAND INTERNATIONAL LIMITED BY THE JOINT OFFERORS

BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA

Financial Adviser to the Joint Offerors



**Lego Corporate
Finance Limited**

力高企業融資有限公司

Independent Financial Adviser to the Independent Board Committee



Gram Capital Limited

嘉林資本有限公司

Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) are defined in the section headed "Definitions" of this Scheme Document. This Scheme Document contains, amongst other things, (1) a letter from the Board regarding the Proposal as set out in Part III of this Scheme Document; (2) a letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders regarding the Proposal, as set out in Part IV of this Scheme Document; (3) a letter from Gram Capital, the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee regarding the Proposal, as set out in Part V of this Scheme Document; and (4) an Explanatory Statement regarding the Proposal as set out in Part VI of this Scheme Document.

Notices convening the Court Meeting and the SGM to be held at 1st Floor, The Board Room and Pre-Function Room, The Aberdeen Marina Club, 8 Shum Wan Road, Aberdeen, Hong Kong on Tuesday, 15 February 2022 at 9:30 a.m. and 10:00 a.m. (or immediately after the conclusion or adjournment of the Court Meeting), respectively, are set out in Appendix VI and VII to this Scheme Document. Whether or not you are able to attend the Court Meeting and/or the SGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the SGM, in accordance with the instructions printed thereon, and to lodge them with the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the times and dates as stated under the paragraph headed "Actions to be taken by the Shareholders" in the Explanatory Statement of this Scheme Document. In the case of the pink form of proxy in respect of the Court Meeting, in accordance with the order of the Bermuda Court dated on or about 13 January 2022, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged. Completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude you from attending and voting at the relevant meeting(s) or any adjournment thereof should you so wish, and in such event, the relevant form(s) of proxy will be revoked by operation of law.

In the event of any inconsistency, the English language text of this document shall prevail over the Chinese language text.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND SGM

Please refer to pages 59 to 60 of this Scheme Document for measures being taken to try to prevent and control the spread of the novel coronavirus ("COVID-19") at the Court Meeting and SGM, including, without limitation:

- all attendees being required to (a) undergo body temperature screening; and (b) wear surgical masks prior to admission to the Court Meeting and SGM venue;
- any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or may be required to leave the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue;
- all attendees who are subject to health quarantine prescribed by the Hong Kong Government will not be admitted to the meeting venue but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue;
- all attendees being required to wear surgical masks throughout the Court Meeting and the SGM;
- appropriate seating arrangement being implemented; and
- no distribution of corporate gift or refreshment.

The Company reminds attendees that they should carefully consider the risks of attending the Court Meeting and the SGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind all Shareholders that they may appoint the chairman of the relevant meeting(s) as their proxy to vote on their behalf at the relevant meeting(s) instead of attending and voting at the meeting(s) in person. In light of the uncertainties of the development and severity of COVID-19 and the potential additional measures or other restrictions as may be imposed by the Hong Kong Government, Shareholders are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the SGM in accordance with the instructions printed thereon, and to lodge them with the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the times and dates as stated under the paragraph headed "Actions to be taken by the Shareholders" in the Explanatory Statement, to ensure that their votes will be counted at the respective meetings in the event that they are denied entry or are required to leave the meeting venue. A proxy need not be a member of the Company, but must attend the Court Meeting and the SGM in person to represent the underlying Shareholder. Completion and return of the relevant forms of proxy for the Court Meeting and the SGM will not preclude a Shareholder from attending and voting at the relevant meetings or any adjournment thereof, and in such event, the relevant forms of proxy will be revoked by operation of law. If a Shareholder is denied entry or is required to leave the meeting venue due to any COVID-19 regulations, he/she will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

* For identification purposes only

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In this Scheme Document, the following expressions have the following meanings unless the context otherwise requires:

“Announcement”	the announcement dated 15 November 2021 jointly issued by the Joint Offerors and the Company in relation to the Proposal
“associates”	has the meaning given in the Takeovers Code
“Authorisations”	all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals, and all appropriate waiting periods (including extensions thereof), in connection with the Proposal
“Barragan”	Barragan Trading Corp, a company incorporated in the British Virgin Islands with limited liability, and is ultimately owned by Mr. Kuo Pao Chih, Keith
“Bermuda Court”	the Supreme Court of Bermuda
“Board”	the board of Directors
“Cancellation Price”	the cancellation price of HK\$0.56 per Scheme Share payable in cash by the Joint Offerors to the Scheme Shareholders pursuant to the Scheme for every Scheme Share cancelled and extinguished
“Company”	Hong Fok Land International Limited (鴻福國際有限公司*), an exempted company incorporated in Bermuda with limited liability
“Companies Act”	the Companies Act 1981 of Bermuda, as amended and supplemented
“Consortium Agreement”	the consortium agreement dated 14 November 2021 entered into by and among the Joint Offerors
“Corporate Joint Offerors”	HF (Cayman), HF (HK), HF Enterprises, Barragan and Dekker

* For identification purposes only

“Court Meeting”	the meeting of the Scheme Shareholders convened at the direction of the Bermuda Court at which the Scheme (with or without modifications) will be voted upon, or any adjournment thereof
“Dekker”	Dekker Assets Limited, a company incorporated in the British Virgin Islands with limited liability and duly registered as an International Company being continued under the laws of Samoa, and is ultimately owned by Mr. Lee Keng Seng
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Scheme Conditions and the Companies Act
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement set out in Part VI of this Scheme Document
“Group”	the Company and its subsidiaries
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser in respect of the Proposal and the Scheme appointed by the Company with the approval of the Independent Board Committee
“HFC Group”	Hong Fok Corporation and its subsidiaries
“HFC Subsidiaries”	HF (Cayman), HF (HK) and HF Enterprises
“HF (Cayman)”	Hong Fok Corporation (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability, and is ultimately controlled by Hong Fok Corporation
“HF Enterprises”	Hong Fok Enterprises Limited, a company incorporated in Hong Kong with limited liability, and is ultimately controlled by Hong Fok Corporation

“HF (HK)”	Hong Fok Corporation (H.K.) Limited, a company incorporated in Hong Kong with limited liability, and is ultimately controlled by Hong Fok Corporation
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Fok Corporation”	Hong Fok Corporation Limited, a company incorporated in the Republic of Singapore and the shares of which are listed on the Singapore Exchange Securities Trading Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising the independent non-executive Directors, being Mr. Ng Lin Fung and Mr. Chan Yee Hoi, established to make a recommendation to the Independent Shareholders, in respect of, among other things, the Proposal and the Scheme, respectively
“Independent Shareholders”	Shareholders other than the Joint Offerors and parties acting in concert with them
“Individual Joint Offerors”	Cheong Zee Yee Ling, Helen and Cheong Hooi Kheng
“Joint Offerors”	HF (Cayman), HF (HK), HF Enterprises, Cheong Zee Yee Ling, Helen, Cheong Hooi Kheng, Barragan and Dekker
“Latest Practicable Date”	14 January 2022, being the latest practicable date prior to the printing of this Scheme Document for ascertaining certain information contained herein
“Lego”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the financial adviser to the Joint Offerors in connection with the Proposal
“Long Stop Date”	31 July 2022, or such later date as may be agreed between the Joint Offerors and the Company, subject to approval by Lego, or to the extent applicable, as the Bermuda Court may direct, and in all cases, as permitted by the Executive

“Meeting Record Date”	15 February 2022 or such other date as may be announced to the Shareholders, being the record date for the purposes of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and entitlements of the Shareholders to attend and vote at the SGM
“Mr. Cheong PC”	Mr. Cheong Pin Chuan, the joint chairman and joint managing director of the Company and a director of the HFC Subsidiaries and an executive director and joint chief executive officer of Hong Fok Corporation and a brother of Mr. Cheong SE and Cheong Hooi Kheng
“Mr. Cheong SE”	Mr. Cheong Sim Eng, the joint chairman and joint managing director of the Company and a director of the HFC Subsidiaries and an executive director and joint chief executive officer of Hong Fok Corporation and a brother of Mr. Cheong PC and Cheong Hooi Kheng
“Offer Period”	the period from the date of the Announcement until the later of (i) the Effective Date; (ii) the date on which the Scheme lapses; or (iii) the date on which an announcement is made of the withdrawal of the Scheme
“PRC”	the People’s Republic of China, but for the purpose of this Scheme Document, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Proposal”	the proposal for the privatisation of the Company by the Joint Offerors by way of the Scheme as described in this Scheme Document
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions (including the SFC)
“Relevant Period”	the period commencing on the 15 May 2021 (being the date falling six (6) months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date)

“Scheme”	the scheme of arrangement under section 99 of the Companies Act between the Company and the Scheme Shareholders involving, amongst other things, the cancellation and extinguishment of all the Scheme Shares
“Scheme Condition(s)”	the condition(s) of the Proposal, as set out in the section headed “Scheme Conditions” in the Explanatory Statement
“Scheme Document”	this composite scheme document issued by the Company and the Joint Offerors to the Shareholders in relation to the Proposal
“Scheme Record Date”	25 February 2022 or such other date as may be announced to the Shareholders, being the record date for the purposes of determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	Share(s) other than those directly or indirectly held by the Joint Offerors
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Shareholders convened for the purpose of considering and, if thought fit, approving, amongst other things, (i) a special resolution in relation to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and (ii) the relevant ordinary resolutions in relation to the restoration of the issued share capital of the Company to its former amount by the issue of the same number of Shares as the number of the Scheme Shares cancelled and extinguished, credited as fully paid, to the Joint Offerors, or any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.05 par value each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SIC”	the Securities Industry Council of Singapore

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“%”	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Bermuda Court hearing of the petition to sanction the Scheme and the Effective Date, which are the relevant dates in Bermuda. For reference only, Bermuda time is 12 hours behind Hong Kong time as at the date of this Scheme Document.

PART II

EXPECTED TIMETABLE

Shareholders should note that the below is indicative only and is subject to change. Further announcement(s) will be made in the event of any change to the expected timetable.

Event Date and Time

Despatch date of this Scheme Document Wednesday, 19 January 2022

Latest time for lodging transfers of Shares to qualify
for attending and voting at the Court Meeting
and the SGM 4:30 p.m. on Tuesday,
8 February 2022

Register of members of the Company closed for
determining the entitlement of the Scheme Shareholders
to attend and vote at the Court Meeting and of the Shareholders
to attend and vote at the SGM (*Note 1*) Wednesday, 9 February 2022
to Tuesday, 15 February 2022
(both days inclusive)

Latest time to lodge the **pink** form
of proxy in respect of the Court Meeting (*Note 2*) 9:30 a.m. on Sunday,
13 February 2022
or not less than 48 hours before the time
appointed for an adjourned Court Meeting

Latest time to lodge the **white** form
of proxy in respect of the SGM (*Note 2*) 10:00 a.m. on Sunday,
13 February 2022
or not less than 48 hours before
the time appointed for an adjourned SGM

Meeting Record Date Tuesday, 15 February 2022

Court Meeting (*Note 3 and 4*) 9:30 a.m. on Tuesday, 15 February 2022

SGM (*Note 3 and 4*) 10:00 a.m. on Tuesday, 15 February 2022
(or immediately after the conclusion or
adjournment of the Court Meeting)

Announcement of the results of the Court Meeting
and the SGM no later than 7:00 p.m.
on Tuesday, 15 February 2022

Latest time for lodging transfers of the Shares to qualify
for entitlements under the Scheme 4:30 p.m.
on Thursday, 17 February 2022

Register of members of the Company closed for determining
entitlements of the Scheme Shareholders under
the Scheme (*Note 5*) from Friday,
18 February 2022 onwards

PART II

EXPECTED TIMETABLE

Scheme Record Date Friday, 25 February 2022

Court hearing of the petition
to sanction the Scheme on Friday, 25 February 2022
(Bermuda time)

Announcement of (i) the results of the Court hearing
of the petition to sanction the Scheme,
and (ii) the expected Effective Date no later than 9:00 a.m.
on Monday, 28 February 2022

Effective Date (*Note 6*) Monday, 28 February 2022
(Bermuda time)

Announcement of the Effective Date Tuesday, 1 March 2022

Cheques for cash entitlements under the Scheme
to be despatched (*Note 7*) on or before Wednesday,
9 March 2022

Notes:

1. The register of members of the Company will be closed during such period for the purposes of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the SGM. For the avoidance of doubt, this book close period is not for determining entitlements under the Scheme.
2. Forms of proxy should be lodged with the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event no later than the times and dates stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, in accordance with the order of the Bermuda Court dated on or about 13 January 2022, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it) if it is not so lodged. In order to be valid, the **white** form of proxy for the SGM must be lodged not later than the times and dates stated above. Completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude a Shareholder from attending the relevant meeting(s) and voting in person. In such event, the returned form of proxy will be revoked by operation of law.
3. The Court Meeting and the SGM will be held at 1st Floor, The Board Room and Pre-Function Room, The Aberdeen Marina Club, 8 Shum Wan Road, Aberdeen, Hong Kong at the times and dates specified above. Please see the notice of the Court Meeting set out in Appendix VI to this Scheme Document and the notice of the SGM set out in Appendix VII to this Scheme Document.
4. If a tropical cyclone warning signal No. 8 or above is or is expected to be hoisted or "extreme conditions" caused by super typhoons or a black rainstorm warning signal is or is expected to be in force at any time after 7:30 a.m. on the date of the Court Meeting and the SGM, the Court Meeting and the SGM will be adjourned. Shareholders will be notified of the date, time and venue of the rescheduled meetings in accordance with the bye-laws of the Company and an announcement will be published on the website of the SFC.
5. The register of members of the Company will be closed for the purposes of determining the Scheme Shareholders who are qualified for entitlements under the Scheme.
6. The Scheme will become effective upon all the Scheme Conditions set out in the section headed "SCHEME CONDITIONS" in the Explanatory Statement of this Scheme Document having been fulfilled or waived (as applicable).

7. Cheques for the cash entitlements to the Scheme Shareholders will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company within seven business days (as such term is defined under the Takeovers Code) of the Effective Date.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, unless otherwise stated.

HONG FOK LAND INTERNATIONAL LIMITED
(鴻福國際有限公司*)

(Incorporated in Bermuda with limited liability)

Directors:

Mr. Cheong Pin Chuan

Mr. Cheong Sim Eng

Independent Non-executive Directors:

Mr. Ng Lin Fung

Mr. Chan Yee Hoi

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

19 January 2022

To the Shareholders

Dear Sir or Madam,

PROPOSED PRIVATISATION OF
HONG FOK LAND INTERNATIONAL LIMITED BY
THE JOINT OFFERORS
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99
OF THE COMPANIES ACT OF BERMUDA

INTRODUCTION

On 14 November 2021, the Joint Offerors requested the Board to put forward to the Shareholders the Proposal for the privatisation of the Company, which will involve the implementation of the Scheme to cancel and extinguish the Scheme Shares and the payment of the Cancellation Price to the Scheme Shareholders. The Scheme will be carried out by way of a scheme of arrangement under section 99 of the Companies Act.

If the Scheme is approved and the Proposal is implemented, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Subject to and immediately after such reduction taking effect, the issued share capital of the Company will be restored to its former amount by the issuance at par to the Joint Offerors, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable as well as to give you notice of the Court Meeting and the SGM (together with proxy forms in relation thereto). Your attention is also drawn to the letter from the Independent Board Committee set out in Part IV of this Scheme

* For identification purposes only

Document, the letter from Gram Capital set out in Part V of this Scheme Document, the Explanatory Statement set out in Part VI of this Scheme Document, and the Scheme set out in Appendix V to this Scheme Document.

THE PROPOSAL

Approval by Scheme Shareholders

Only Scheme Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Joint Offerors and parties acting in concert with them will not vote at the Court Meeting on the resolution to approve the Scheme.

As at the Latest Practicable Date, there are 1,451,190,401 Shares in issue of which the Joint Offerors are interested in an aggregate of 1,183,212,665 Shares, representing approximately 81.53% of the total issued share capital of the Company. The Scheme Shareholders are interested in 267,977,736 Scheme Shares, representing approximately 18.47% of the total issued share capital of the Company, as at the Latest Practicable Date. There are no outstanding warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

Consideration

The Cancellation Price will not be increased and the Joint Offerors do not reserve the right to do so.

If the Scheme is approved and the Proposal is implemented, the Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price, being HK\$0.56 in cash for each Scheme Share cancelled and extinguished.

The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Joint Offerors.

The maximum amount of consideration required for the Scheme is approximately HK\$150,067,532.

Basis of determination of the Cancellation Price

The Cancellation Price of HK\$0.56 per Scheme Share values the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK\$812,666,624. The Cancellation Price represents (i) a discount of approximately 76.7% to the Group's net asset value per Share of approximately HK\$2.40 pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2020; and (ii) a discount of approximately 77.0% to the Group's adjusted net asset value per Share of approximately HK\$2.44 pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2020 and adjusted by the valuation of the investment properties of the Group of approximately HK\$3,187.1 million as at 31 October 2021.

Due to the lack of public trading market of the Shares, the Cancellation Price was determined on arm's length basis after taking into account, among other things, the latest available financial information of the Company including the valuation reports on the Group's investment properties as at 31 October 2021 prepared for the purpose of the financial statements, market multiples of comparable companies listed on the Stock Exchange and the prevailing market conditions and sentiments.

Confirmation of financial resources

The Joint Offerors intend to finance the consideration required for the Scheme through their own internal financial resources.

Lego has been appointed as the financial adviser to the Joint Offerors in connection with the Proposal.

Lego, as the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are, and will remain, available to the Joint Offerors for the full implementation of the Proposal in accordance with its terms.

SCHEME CONDITIONS

The Proposal will become effective and binding on the Joint Offerors, the Company and all Scheme Shareholders subject to the fulfillment or waiver (as applicable) of the following Scheme Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by Independent Shareholders present and voting, either in person or by proxy, at the Court Meeting by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast, either in person or by proxy, at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Independent Shareholders, pursuant to Rule 2.10 of the Takeovers Code;
- (c) (i) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting, in person or by proxy, at the SGM, to give effect to the Scheme including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and (ii) the passing of the relevant ordinary resolutions by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the SGM to immediately thereafter restore the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid

cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors;

- (d) the Bermuda Court's sanction of the Scheme (with or without modifications) and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Bermuda Court for registration;
- (e) compliance with the procedural requirements of the Companies Act in relation to the Scheme and the reduction of the issued share capital of the Company respectively;
- (f) all Authorisations (if any) in connection with the Proposal from or with (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, Singapore and/or any other relevant jurisdictions having been obtained and, if applicable, any waiting periods having expired or terminated (in each case where any of such Authorisations is material in the context of the Company and in the context of the Proposal);
- (g) the giving of all necessary notices to the Bermuda Monetary Authority;
- (h) all Authorisations (if any) remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for (or is in addition to requirements expressly provided for) in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective (in each case where any of such Authorisations is material in the context of the Company and in the context of the Proposal);
- (i) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Group being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group taken as a whole;
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme void, unenforceable or illegal (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme); and

- (k) no litigation, arbitration proceedings, prosecution or other legal proceedings being instituted against the Company after the date of this Scheme Document and no such proceedings being threatened in writing against it (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court in respect of any such member or the business carried on by any such member having been threatened in writing, announced or instituted), in each case which is material and adverse in the context of the Company and in the context of the Proposal.

The Joint Offerors reserve the right to waive Scheme Conditions (i) to (k) either in whole or in part, either generally or in respect of any particular matter. Scheme Conditions (a) to (h) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Joint Offerors may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Scheme Condition are of material significance to the Joint Offerors in the context of the Proposal. The Company has no right to waive any of the Scheme Conditions. All of the above Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing of which the Scheme will lapse. When all the Scheme Conditions are satisfied or waived, as applicable, the Scheme will become effective and binding on the Joint Offerors, the Company and all the Scheme Shareholders. If approved, the Proposal will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM.

In respect of Scheme Conditions (f), (h) and (i), the Joint Offerors are not aware of any Authorisations or consents which are required, save for the Bermuda Court's sanction of the Scheme which is already set out above as separate Scheme Condition (d) and the SIC's confirmation that the HFC Subsidiaries, Cheong Zee Yee Ling, Helen, Cheong Hooi Kheng and persons acting in concert with them will not be required to make a mandatory general offer for Hong Fok Corporation under Note 7 to Rule 14.1 of the Singapore Code on Take-overs and Mergers as a result of the Scheme, which has been obtained as at the Latest Practicable Date.

The Joint Offerors are not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the Scheme Conditions.

As at the Latest Practicable Date, none of the Scheme Conditions has been fulfilled or waived (as applicable).

Assuming that the Scheme Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective before 31 July 2022.

Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Scheme Conditions being fulfilled or waived, as applicable, and thus may or may not become effective. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

THE CONSORTIUM AGREEMENT

On 14 November 2021, the Joint Offerors entered into the Consortium Agreement, pursuant to which they agreed, among other things, the followings:

- 1) the appointment of Lego as the financial adviser to the Joint Offerors for the Scheme;
- 2) all decisions relating to the Proposal will be made jointly by the Joint Offerors;
- 3) the commitment of the respective funding obligation of each of the Joint Offerors is in accordance with the respective proportion of the percentage interests of the total number of the Scheme Shares to be acquired under the Proposal (as set out in the table below), and each of the Joint Offerors has deposited funds sufficient to cover his/her/its respective funding obligation to the designated bank account held in the name of HF (HK);
- 4) the Joint Offerors agreed to acquire and pay for Shares solely from the funds deposited in the designated bank account held in the name of HF (HK) in the same aggregate number of Scheme Shares which are cancelled pursuant to the Scheme in the following proportion:

Joint Offerors	Number of Scheme Shares	Approximate % of the total number of Scheme Shares (Note)	The consideration payable for the respective Scheme Shares to be acquired HK\$
HF (Cayman)	69,745,461	26.03	39,057,458.16
HF (HK)	5,959,866	2.23	3,337,524.96
HF Enterprises	3,652,976	1.36	2,045,666.56
Cheong Zee Yee Ling, Helen	19,438,343	7.25	10,885,472.08
Cheong Hooi Kheng	11,444,418	4.27	6,408,874.08
Barragan	76,033,844	28.37	42,578,952.64
Dekker	81,702,828	30.49	45,753,583.68
Total	267,977,736	100.00	150,067,532.16

Note: The proportionate interests of Scheme Shares to be acquired by the Joint Offerors were arrived at after arm's length negotiations among the Joint Offerors. Rounded to 2 decimal places.

- 5) each of the Joint Offerors shall not, and shall procure its concert parties not to, sell, transfer, charge, encumber, create or grant any option or lien over or otherwise dispose of (or permit any such action to occur in respect of) all or any of the Shares or any interest therein during the term of the Consortium Agreement until the Scheme becomes effective or lapses, or an announcement is made for the withdrawal of the Scheme.

SHAREHOLDING STRUCTURE OF THE COMPANY

The Company has 1,451,190,401 Shares in issue as at the Latest Practicable Date. As at the Latest Practicable Date, Hong Fok Corporation indirectly holds 631,724,993 Shares, representing approximately 43.53% of the total issued share capital of the Company, through its three subsidiaries, namely HF (Cayman), HF (HK) and HF Enterprises. The Joint Offerors are interested in an aggregate of 1,183,212,665 Shares, representing approximately 81.53% of the total issued share capital of the Company.

The controlling shareholders and the largest group of shareholders of Hong Fok Corporation are Mr. Cheong PC, Mr. Cheong SE and their siblings, together with their spouses, children, grandchild and companies controlled by them (the “**Cheong Family**”), who in aggregate hold approximately 48.21% of the issued shares of Hong Fok Corporation as at the Latest Practicable Date. The breakdown of the shareholding interests being held by each respective member of the Cheong Family is set out below:

Shareholding in Hong Fok Corporation

	Number of shares held	Approximate % of the total issued share capital
Cheong Kim Pong [a]	74,777,299	8.85
Cheong Pin Seng [b]	125	–
Cheong SE [c]	116,047,500	13.74
Cheong PC [d]	118,876,047	14.07
Goodyear Realty Co. Pte. Ltd. (“ Goodyear ”) [e]	44,485,758	5.27
Corporate Development Limited (“ Corp Dev ”) [f]	8,113,776	0.96
Cheong Hooi Kheng [g]	14,832,180	1.76
Cheong Loo Kheng [g]	1,615,840	0.19
Cheong Puay Kheng [g]	14,243,400	1.69
Cheong Lay Kheng [g]	14,233,000	1.68
Total Cheong Family	407,224,925	48.21

Notes:

- [a] Brother of Cheong PC and Cheong SE. Includes the shareholding of Cheong Kim Pong's children and grandchild but excludes his interests through Goodyear.
- [b] Brother of Cheong PC and Cheong SE and includes the shareholding of his son.
- [c] Includes shareholding of Cheong SE's spouse but excludes his interests through Goodyear and Corp Dev.
- [d] Includes shareholding of Cheong PC's spouse, his son and company owned by him and his spouse but excludes his interests through Goodyear and Corp Dev.
- [e] Goodyear is beneficially owned as to 25% by Cheong Kim Pong, 37.5% by Cheong PC and 37.5% by Cheong SE.
- [f] Corp Dev is beneficially owned as to 50% by Cheong PC and 50% by Cheong SE.
- [g] Sister of Cheong PC and Cheong SE.

As at the Latest Practicable Date, Hong Fok Land Holding Limited, an indirect wholly-owned subsidiary of the Company, has an interest of approximately 21.02% in Hong Fok Corporation.

The table below sets out the simplified shareholding structure of the Company as at the Latest Practicable Date and on the basis that the Scheme becomes effective, immediately upon completion of the Scheme:

Shareholders	As at the Latest Practicable Date		Upon completion of the Scheme (assuming there is no change in shareholding of the Company before completion of the Proposal)	
	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)
Joint Offerors				
HF (Cayman)	555,202,784	38.26	624,948,245	43.06
HF (HK)	47,443,003	3.27	53,402,869	3.68
HF Enterprises	29,079,206	2.00	32,732,182	2.26
Cheong Zee Yee Ling, Helen	3,397,000	0.23	22,835,343	1.57
Cheong Hooi Kheng	2,000,000	0.14	13,444,418	0.93
Barragan	285,312,566	19.66	361,346,410	24.90
Dekker	260,778,106	17.97	342,480,934	23.60
Sub-total	1,183,212,665	81.53	1,451,190,401	100.00
Total number of Scheme Shares held by the Scheme Shareholders	267,977,736	18.47	—	—
Total	1,451,190,401	100.00	1,451,190,401	100.00

Note 1: Rounded to 2 decimal places.

REASONS FOR AND BENEFITS OF THE PROPOSAL

There is no open market for the trading of the Shares. The Proposal will provide an opportunity for Shareholders to realise their investments in the Shares at a fixed-price cash consideration. From the point of view of the management of the Company, the privatisation of the Company would allow the Joint Offerors to further consolidate its interests in the Company and streamline the decision-making process in the long term. Following the implementation of the Proposal, the Joint Offerors would be able to enjoy the flexibility to manage the Company's business with a more simplified corporate governance structure.

INTENTION OF THE JOINT OFFERORS WITH REGARD TO THE COMPANY

Following the implementation of the Proposal, the Joint Offerors intend that the Company should continue carrying on its business and does not intend to make any major changes to the current operations. The Joint Offerors have no plan to introduce any material changes to the business and/or assets of the Company, to redeploy its fixed assets or to discontinue the employment of employees of the Company as a result of the Proposal. The Joint Offerors will continue to monitor the Company's performance and adopt necessary and suitable business strategies to facilitate the development of the Company.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an unlisted public company incorporated in Bermuda with limited liability on 26 March 2007, with a total of 1,914 Shareholders as at the Latest Practicable Date. Its securities are not listed or traded on any securities exchange. The Group is principally engaged in property investment and management, and securities trading. The revenue of the Group derives primarily from rental income and the Group's investment properties are located in Hong Kong and Singapore.

In 2007, as part of a reorganisation of Winfoong International Limited (a company listed in Hong Kong with its stock code: 63; now known as China Asia Valley Group Limited) ("**Winfoong**"), shares of the Company were distributed to the then shareholders of Winfoong in specie (the "**2007 Distribution**"). Since completion of the 2007 Distribution, the Company has been a public company in Hong Kong subject to the Takeovers Code.

The table below sets out certain audited financial results of the Company for each of the two financial years ended 31 December 2019 and 2020 which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Revenue	45,207	50,963
Loss before taxation	(162,545)	(141,858)
Loss attributable to equity holders of the Company	(165,132)	(142,354)

Based on the audited consolidated financial statements of the Company as at 31 December 2020 prepared in accordance with Hong Kong Financial Reporting Standards, the audited net asset value of the Company as at 31 December 2020 amounted to approximately HK\$3,481,738,000.

The Directors confirmed that, having considered, amongst others, the loan facilities in the amount of HK\$550,000,000 granted by Nanyang Commercial Bank, Limited, the Group was solvent as at 31 December 2021, and will be solvent by the Effective Date.

INFORMATION ON THE JOINT OFFERORS

Your attention is drawn to the section headed “INFORMATION ON THE JOINT OFFERORS” set out in the Explanatory Statement of this Scheme Document.

OVERSEAS SCHEME SHAREHOLDERS

Your attention is drawn to the section headed “OVERSEAS SCHEME SHAREHOLDERS” set out in the Explanatory Statement of this Scheme Document.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising the independent non-executive Directors, being Mr. Ng Lin Fung and Mr. Chan Yee Hoi, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Scheme are, or are not, fair and reasonable and as to voting.

Mr. Cheong PC and Mr. Cheong SE, being Directors, have abstained and will continue to abstain from voting at the relevant meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. Cheong Zee Yee Ling, Helen, a joint offeror, is the spouse of Mr. Cheong PC; and Cheong Hooi Kheng, a joint offeror, is the sibling of both Mr. Cheong PC and Mr. Cheong SE.

The full text of the letter from the Independent Board Committee is set out in Part IV of this Scheme Document.

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

The full text of the letter from Gram Capital is set out in Part V of this Scheme Document.

COURT MEETING AND SGM

The Bermuda Court has directed that the Court Meeting be convened and held for the purpose of considering and, if thought fit, approving the Scheme (with or without modifications). The Scheme is subject to approval by the Scheme Shareholders at the Court Meeting in the manner referred to in paragraphs (a) and (b) of the section headed “Scheme Conditions” set out in the Explanatory Statement of this Scheme Document.

Only Scheme Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Joint Offerors and parties acting in concert with them will not vote at the Court Meeting on the resolutions to approve the Scheme.

Immediately following the Court Meeting, the SGM will be held for the purpose of considering and, if thought fit, passing a special resolution to give effect to the Scheme including approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares. The special resolution will be passed if it is approved by a majority of at least 75% of the votes cast by the Shareholders present and voting, in person or by proxy, at the SGM. All Shareholders will be entitled to attend and vote on such special resolution at the SGM. Ordinary resolutions will be proposed at the SGM approving, amongst other things, (i) the restoration of the issued share capital of the Company to its former amount by the issue of the same number of Shares as the number of the Scheme Shares cancelled and extinguished, credited as fully paid, to the Joint Offerors; and (ii) the application by the Company of the credit arising in the books of account of the Company as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par the new Shares to be issued to the Joint Offerors. All Shareholders will be entitled to attend and vote on the ordinary resolutions proposed at the SGM.

Notice of the Court Meeting is set out in Appendix VI to this Scheme Document. The Court Meeting will be held at 9:30 a.m. on Tuesday, 15 February 2022 at 1st Floor, The Board Room and Pre-Function Room, The Aberdeen Marina Club, 8 Shum Wan Road, Aberdeen, Hong Kong.

Notice of the SGM is set out in Appendix VII to this Scheme Document. The SGM will be held at 10:00 a.m. on Tuesday, 15 February 2022 (or immediately after the conclusion or adjournment of the Court Meeting) at 1st Floor, The Board Room and Pre-Function Room, The Aberdeen Marina Club, 8 Shum Wan Road, Aberdeen, Hong Kong.

Your attention is drawn to the section headed “COURT MEETING AND SGM” as set out in the Explanatory Statement of this Scheme Document.

PRECAUTIONARY MEASURES AT THE COURT MEETING AND THE SGM

In view of the ongoing COVID-19 and requirements for its effective prevention and control, the Company will implement precautionary measures set out in the section headed “PRECAUTIONARY MEASURES AT THE COURT MEETING AND THE SGM” in the Explanatory Statement of this Scheme Document at the Court Meeting and SGM to protect the Shareholders, staff and other stakeholders from the risk of infection.

ACTION TO BE TAKEN BY THE SHAREHOLDERS

Your attention is drawn to the section headed “ACTION TO BE TAKEN BY THE SHAREHOLDERS” set out in the Explanatory Statement of this Scheme Document.

EXPLANATORY STATEMENT

Your attention is drawn to the Explanatory Statement set out in Part VI of this Scheme Document, for detailed information in relation to the terms of the Proposal and a detailed explanation of the effects of the Proposal.

RECOMMENDATIONS

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Proposal and the Scheme as set out in the letter from the Independent Board Committee to the Independent Shareholders in Part IV of this Scheme Document.

Gram Capital has been appointed by the Independent Board Committee to advise them in connection with the Proposal and the Scheme. The text of the letter from Gram Capital containing its recommendation with the Proposal and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in Part V of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal and the Scheme.

FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee, the letter from Gram Capital, the Explanatory Statement, the Scheme and the notices of the Court Meeting and the SGM contained in this Scheme Document and the other appendices to this Scheme Document.

Yours faithfully,
By Order of the Board
Hong Fok Land International Limited
Cheong Pin Chuan
Director

HONG FOK LAND INTERNATIONAL LIMITED**(鴻福國際有限公司*)***(Incorporated in Bermuda with limited liability)*

19 January 2022

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
HONG FOK LAND INTERNATIONAL LIMITED BY
THE JOINT OFFERORS
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99
OF THE COMPANIES ACT OF BERMUDA**

We refer to the scheme document (the “**Scheme Document**”) dated 19 January 2022 jointly issued by the Company and the Joint Offerors in relation to the Proposal, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Independent Shareholders in respect of the Proposal.

Gram Capital has been appointed, with our approval, as the independent financial adviser in respect of the Proposal.

We wish to draw your attention to (a) the letter from the Board in Part III of the Scheme Document; (b) the letter from Gram Capital in Part V of the Scheme Document which sets out the factors and reasons taken into account by Gram Capital in arriving at its recommendations; and (c) the Explanatory Statement in Part VI of the Scheme Document.

Having considered the terms of the Proposal and having taken into account the advice of Gram Capital, in particular the factors, reasons and recommendations as set out in the letter from Gram Capital, we consider the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend:

- (1) the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (2) the Shareholders to vote at the SGM in favour of (i) a special resolution to give effect to the Scheme including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme

* For identification purposes only

Shares, and (ii) ordinary resolutions to immediately thereafter restore the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors.

Yours faithfully,
Independent Board Committee

Ng Lin Fung
Independent non-executive Director

Chan Yee Hoi
Independent non-executive Director

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal, for the purpose of inclusion in this Scheme Document.



Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

19 January 2022

To: The independent board committee of Hong Fok Land International Limited

Dear Sirs,

**PROPOSED PRIVATISATION OF
HONG FOK LAND INTERNATIONAL LIMITED BY
THE JOINT OFFERORS BY WAY OF A SCHEME OF
ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES
ACT OF BERMUDA**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal, details of which are set out in the Scheme Document dated 19 January 2022 jointly issued by the Joint Offerors and the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

With reference to the letter from the Board (the “**Board Letter**”) contained in the Scheme Document, on 14 November 2021, the Joint Offerors requested the Board to put forward the Proposal for the privatisation of the Company by way of the Scheme under section 99 of the Companies Act.

If the Scheme is approved and the Proposal is implemented, the Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price, being HK\$0.56 in cash for each Scheme Share cancelled and extinguished.

An Independent Board Committee comprising Mr. Ng Lin Fung and Mr. Chan Yee Hoi (all being independent non-executive Directors) has been formed to advise the Scheme Shareholders on whether the terms of the Scheme are, or are not, fair and reasonable and as to the voting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its

consideration of the Proposal pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations as provided to us by the Directors and the Joint Offerors (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Joint Offerors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Joint Offerors in the Scheme Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Scheme Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Joint Offerors, which have been provided to us. Our opinion is based on the Directors' and the Joint Offerors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Proposal. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix IV to the Scheme Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Scheme Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Joint Offerors or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposal.

We have assumed that the Proposal will be consummated in accordance with the terms and conditions set forth in the Scheme Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Proposal, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Proposal. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposal, we have taken into consideration the following principal factors and reasons:

(1) Background and terms of the Proposal

On 14 November 2021, the Joint Offerors requested the Board to put forward the Proposal for the privatisation of the Company by way of the Scheme under section 99 of the Companies Act.

As further mentioned in the Board Letter, if the Scheme is approved and the Proposal is implemented:

- (a) the Scheme Shares will be cancelled and extinguished in exchange for payment of the Cancellation Price of HK\$0.56 in cash for each Scheme Share cancelled; and
- (b) the share capital of the Company will, on the effective date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Subject to and immediately after such reduction taking effect, the issued share capital of the Company will be restored to its former amount by the issuance at par to the Joint Offerors, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished.

With reference to the Board Letter, as at the Latest Practicable Date, there were 1,451,190,401 Shares in issue and the Scheme Shareholders were interested in 267,977,736 Shares (representing approximately 18.47% of the issued share capital of the Company as at the Latest Practicable Date). As at the Latest Practicable Date, there were no outstanding warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

With reference to the Board Letter, the Joint Offerors intend to finance the consideration required for the Scheme through internal financial resources. Lego, as financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are, and will remain, available to the Joint Offerors for the full implementation of the Proposal in accordance with its terms.

(2) Information on the Group

With reference to the Board Letter, the Company is an unlisted public company incorporated in Bermuda with limited liability on 26 March 2007, with a total of 1,914 Shareholders as at the Latest Practicable Date. The Company's securities are not listed or traded on any securities exchange. The Group is principally engaged in property investment and management, and securities trading.

Financial performance

Set out below is a summary of the audited consolidated financial performance of the Group for each of the two years ended 31 December 2019 and 2020 as extracted from the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**"):

	For the year ended 31 December 2020 HK\$'000	For the year ended 31 December 2019 HK\$'000	Year on year change %
Revenue	45,207	50,963	(11.29)
– Gross rental from investment properties in Hong Kong	43,586	49,253	(11.51)
– Gross rental from investment properties in Singapore	1,621	1,710	(5.20)
Gross profit	37,039	33,429	10.80
Loss for the year attributable to equity shareholders of the Company	(165,132)	(142,354)	16.00
Total comprehensive loss for the year attributable to equity shareholders of the Company	(204,773)	(29,119)	603.23
<i>The following items are included in the loss for the year attributable to equity shareholders of the Company:</i>			
Net valuation loss on investment properties	(121,044)	(98,801)	22.51
Operating and administrative expenses	(47,519)	(48,571)	(2.17)
Finance costs	(44,287)	(43,488)	1.84

	For the year ended 31 December 2020 HK\$'000	For the year ended 31 December 2019 HK\$'000	Year on year change %
<i>The following item is included in the total comprehensive loss for the year attributable to equity shareholders of the Company:</i>			
Net movement in fair value reserve of equity investment at fair value through other comprehensive income	(40,640)	112,629	N/A

As depicted from the above table, gross rental from investment properties in Hong Kong (namely Magazine Gap Towers and Magazine Heights, two residential properties situated at Mid-Levels, Hong Kong (together, the “**Major Properties**”)) contributed most of the Group’s total revenue during both years ended 31 December 2019 and 2020.

The Group recorded revenue of approximately HK\$45.21 million for the year ended 31 December 2020 (“**FY2020**”), representing a decrease of approximately 11.29% as compared to that for the year ended 31 December 2019 (“**FY2019**”). As advised by the Directors, the decrease in revenue was mainly due to the adverse effect of COVID-19 and the social unrest relating to the anti-extradition law amendment bill movement, which led to the increased vacancy rate of Magazine Gap Towers, being one of the Major Properties.

The Group’s recorded gross profit of approximately HK\$37.04 million for FY2020, representing an increase of approximately 10.80% as compared to that for FY2019 despite the year-on-year decrease in the Group’s revenue. The increase in the Group’s gross profit was mainly due to the increase in the Group’s gross profit margin. The Group recorded gross profit margin of approximately 81.93% for FY2020, representing an increase of approximately 16.34 percentage points as compared to that for FY2019. With reference to the 2020 Annual Report and as advised by the Directors, the Group recorded direct outgoings relating to the rental receivable from investment properties of approximately HK\$17.53 million for FY2019, which consist of repair and maintenance costs of approximately HK\$10 million, whereas the Group only recorded direct outgoings of approximately HK\$8.17 million for FY2020, which only consist of repair and maintenance costs of approximately HK\$1 million.

Loss attributable to equity shareholders of the Company was approximately HK\$165.13 million for FY2020, representing an increase of approximately 16.00% as compared to that for FY2019 while the Group’s operating and administrative expenses, and finance costs remained relatively stable at approximately HK\$47.52 million and HK\$44.29 million respectively for FY2020. As noted from the 2020 Annual Report, the increase in loss attributable to equity shareholders of the Company for FY2020 was

mainly due to increase in net valuation loss on investment properties. During FY2020, the Group recorded net valuation loss on investment properties of approximately HK\$121.04 million as compared to net valuation loss of approximately HK\$98.80 million for FY2019. We noted from the 2019 Annual Report and the 2020 Annual Report that (i) the valuations of investment properties in Hong Kong were prepared by Savills Valuation and Professional Services Limited for both FY2019 and FY2020; and (ii) the valuations of investment properties in Singapore were prepared by Savills Valuation and Professional Services (S) Pte Ltd (“Savills”) for both FY2019 and FY2020. As advised by the Directors, the significant increase in net valuation loss on investment properties was mainly due to the impact of COVID-19 on the global economy as well as the social unrest relating to the anti-extradition law amendment bill movement that affected the economy of Hong Kong.

As advised by the Directors, as at 31 December 2021, (i) 10 out of 24 of the residential units of Magazine Gap Towers were vacant and half of the occupied residential units had committed tenants with tenancy terms expiring in 2022; and (ii) two of the residential units of Magazine Heights were vacant and 8 out of 21 of the occupied residential units had committed tenants with tenancy terms expiring in 2022.

The Group recorded total comprehensive loss of approximately HK\$204.77 million for FY2020, represent an increase of approximately 603.23% as compared to that for FY2019. As noted from the 2020 Annual Report, the increase in total comprehensive loss for FY2020 was mainly due to the increase in loss attributable to equity shareholders of the Company as aforementioned and decrease in share price of Hong Fok Corporation, being an equity investment held by the Group accounted for as equity investment at fair value through other comprehensive income.

Financial position

Set out below is a summary of the audited consolidated financial position of the Group as at 31 December 2019 and 31 December 2020, as extracted from the 2020 Annual Report:

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000	Year on year change %
Investment properties	3,131,581	3,251,663	(3.69)
Long term investments	770,638	811,288	(5.01)
Cash at banks and other financial institutions (<i>Note</i>)	62,478	73,510	(15.01)
Total assets	3,982,055	4,162,641	(4.34)
Total liabilities	(500,317)	(542,337)	(7.75)
Net current (liabilities)/assets	(64,444)	1,537	N/A
Net assets	3,481,738	3,620,304	(3.83)

Note: The amounts included pledged bank deposits of approximately HK\$58.98 million as at 31 December 2020 (as at 31 December 2019: approximately HK\$39.44 million).

As depicted from the above table, the Group's investment properties and long term investments, in aggregate, accounted for approximately 97.61% and 98.00% of the Group's total assets as at 31 December 2019 and 31 December 2020 respectively. The carrying amounts of the Group's investment properties and long term investments decreased by approximately HK\$120.08 million and HK\$40.65 million respectively (approximately HK\$160.73 million in aggregate), as compared to that as at 31 December 2019. The decrease in the Group's investment properties was mainly due to the decrease in fair value, as detailed in the sub-section headed "Financial performance" above. The decrease in the Group's long term investment was mainly due to the decrease in share price of Hong Fok Corporation as at 31 December 2020 as compared to that as at 31 December 2019.

As depicted from the above table, the Group's recorded net current liabilities of approximately HK\$64.44 million as at 31 December 2020 as compared to the net current assets as at 31 December 2019. As advised by the Directors, such net current liabilities position was mainly due to classification of bank borrowings from non-current liabilities as at 31 December 2019 to current liabilities as at 31 December 2020, based on the then scheduled repayment terms of such borrowings. We obtained the schedule of banking facilities of the Group as at 31 December 2020 and noted that majority of such banking facilities expired in August and September 2021 and the Directors advised us that they were renewed with expiry dates in August and September 2026. Notwithstanding the Group's net current liabilities of approximately HK\$64.44 million as at 31 December 2020, with reference to the 2020 Annual Report, in February 2021, the Group accepted the major terms and conditions of facilities up to the extent of HK\$550 million which stipulated in a letter issued by a bank and such facilities will be used to settle the outstanding indebtedness of the existing facility owed by the Group and for financing the general working capital of the Group. Accordingly, the Directors considered that the Group will have sufficient working capital to meet in full their financial obligations as and when they fall due in the foreseeable future and the financial statements for FY2020 were prepared on a going concern basis.

As advised by the Directors, (i) the Group's net current liabilities decreased substantially from approximately HK\$64.44 million as at 31 December 2020 to approximately HK\$15.72 million as at 31 October 2021; and (ii) the Group's cash at bank and other financial institutions decreased substantially from approximately HK\$62.48 million as at 31 December 2020 to approximately HK\$4.64 million as at 31 October 2021. Such decrease in the Group's cash at bank and other financial institutions was mainly due to payment of interests on bank borrowings, other operating and administration expenses, and partial repayments of the Group's bank borrowings, during the ten months ended 31 October 2021.

The Group's net current liabilities as at 31 December 2020 and 31 October 2021 indicated the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise their assets and discharge their liabilities in the normal course of business.

As advised by the Directors, there was no dividend declared or paid by the Company to its Shareholders since the incorporation of the Company in March 2007. Given the latest financial performance and financial position, together with the net operating cash outflows recorded by the Group during the two years ending 31 December 2020, the Directors consider that it is uncertain as to whether the Group may improve its financial position for dividend payout in near future.

Valuation of properties interest of the Group

The valuation reports (the “**Valuation Reports**”) prepared by Ravia Global Appraisal Advisory Limited (“**Ravia**”) and Savills relating to the valuations of properties interests of the Group (the “**Properties**”) as set out in Appendix III-A and Appendix III-B to this Scheme Document respectively. According to the Valuation Reports, the total market value of the Properties was approximately HK\$3,187 million as at 31 October 2021.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of each of Ravia and Savills with the Company; (ii) each of Ravia’s and Savills’s qualification and experience in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by each of Ravia and Savills for conducting the valuations of the Properties. From the mandate letter and other relevant information provided by each of Ravia and Savills and based on our interview with each of them, we are satisfied with the terms of engagement of Ravia and Savills as well as each of their qualification and experience for the preparation of the Valuation Reports. Each of Ravia and Savills also confirmed that they are independent to the Group, the Joint Offerors and their concert parties.

In valuing the Properties, (i) Ravia made reference to sales evidence as available in the market and where appropriate on the basis of capitalization of the net rental income shown on schedules handed to Ravia. Ravia allowed for outgoings and in appropriate cases made provisions for reversionary income potential; and (ii) Savills adopted direct comparison method which entails comparing the subject property with sales of similar/ comparable properties in the subject or comparable localities. Adjustments were made for factors which affect value such as location, size, tenure, age/ condition, floor level, orientation, facing and date of sale and other relevant characteristics.

We further reviewed and enquired into Ravia and Savills on the methodologies adopted and the basis and assumptions adopted in the Valuation Reports in order for us to understand the Valuation Reports. During our discussion with each of Ravia and Savills, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Reports.

Adjusted net asset value of the Group

With reference to the Board Letter, the Group's adjusted net asset value amounted to approximately HK\$2.44 per Share (the "**Adjusted NAV per Share**"), based on the Group's consolidated net assets of approximately HK\$3,482 million pursuant to the Company's latest audited consolidated financial statements as at 31 December 2020, adjusted by the valuation of Properties of approximately HK\$3,187 million as at 31 October 2021.

(3) Information on and intention of the Joint Offerors with regard to the Company

The Joint Offerors comprised of HF (Cayman), HF (HK), HF Enterprises, Cheong Zee Yee Ling, Helen, Cheong Hooi Kheng, Barragan and Dekker. Set out below are the information on the Joint Offerors as extracted from the Explanatory Statement :

Information on HF (Cayman)

With reference to the Board Letter, HF (Cayman) was incorporated in the Cayman Islands with limited liability. The principal business of HF (Cayman) is investment holding. As at the Latest Practicable Date, HF (Cayman) is wholly-owned by Hong Fok Corporation.

Information on HF (HK)

With reference to the Board Letter, HF (HK) was incorporated in the Hong Kong with limited liability. The principal business of HF (HK) is investment holding. As at the Latest Practicable Date, HF (HK) is wholly-owned by Hong Fok Corporation.

Information on HF Enterprises

With reference to the Board Letter, HF Enterprises was incorporated in the Hong Kong with limited liability. The principal business of HF Enterprises is investment holding. As at the Latest Practicable Date, HF Enterprises is wholly-owned by HF (HK).

Information on Hong Fok Corporation

With reference to the Board Letter, Hong Fok Corporation is a public company listed on the Singapore Exchange Securities Trading Limited. The principal activity of Hong Fok Corporation is that of investment holding whose subsidiaries are primarily engaged in property investment, property development and construction, property management, investment trading and investment holding and management.

Information on Cheong Zee Yee Ling, Helen

With reference to the Board Letter, Cheong Zee Yee Ling, Helen, aged 71, is the spouse of Mr. Cheong PC. Cheong Zee Yee Ling, Helen is currently the director of several private companies in Hong Kong, of which the principal activities are property investment. She is mainly responsible for overseeing the business's performance of these companies.

Information on Cheong Hooi Kheng

With reference to the Board Letter, Cheong Hooi Kheng, aged 68, is the sibling of Mr. Cheong PC and Mr. Cheong SE. Cheong Hooi Kheng is an executive director and chief operating officer of Hong Fok Corporation and is principally involved in HFC Group's development of properties. She also oversees the project management in relation to the development and construction of properties, the leasing and marketing of HFC Group's real estate properties and major financial affairs of HFC Group in Singapore. Cheong Hooi Kheng is also a director of property development of Hong Fok Land Investment Limited, a wholly-owned subsidiary of the Company, where she is responsible for overseeing property development operations of the Group. She has over 42 years of experience in the property development and construction business.

Information on Barragan

With reference to the Board Letter, Barragan was incorporated in the British Virgin Islands with limited liability. The principal business of Barragan is investment holding. As at the Latest Practicable Date, Barragan is ultimately owned by Mr. Kuo Pao Chih, Keith (a retired individual residing in Singapore).

Information of Dekker

With reference to the Board Letter, Dekker was incorporated in the British Virgin Islands with limited liability and was registered as an international company being continued under the laws of Samoa. The principal business of Dekker is investment holding. As at the Latest Practicable Date, Dekker is ultimately owned by Mr. Lee Keng Seng (a retired individual residing in Malaysia).

With reference to the Board Letter, following the implementation of the Proposal, the Joint Offerors intend that the Company should continue carrying on its business and does not intend to make any major changes to the current operations. The Joint Offerors have no plan to introduce any material changes to the business and/or assets of the Company, to redeploy its fixed assets or to discontinue the employment of employees of the Company as a result of the Proposal. The Joint Offerors will continue to monitor the Company's performance and adopt necessary and suitable business strategies to facilitate the development of the Company.

(4) Reasons for and benefits of the Proposal

With reference to the Board Letter, there is no open market for the trading of the Shares. The Proposal will provide an opportunity for Shareholders to realise their investment in the Shares at a fixed-price cash consideration.

As aforementioned, the Company is an unlisted public company with limited liability, with a total of 1,914 Shareholders as at the Latest Practicable Date. The Company's securities are not listed or traded on any securities exchange. Shareholders who want to exit from such investment would have to seek another potential investor that is known to them to take up their equity investments, or require the Company to repurchase the Shares, both are difficult exit paths for the Independent Shareholders.

As illustrated in the section headed "Information on the Group" above, the financial performance and financial position of the Group deteriorated in FY2020. The Group suffered losses for the two years ended 31 December 2020 while the Group's total assets, cash at bank and other financial institutions and net assets also decreased from 31 December 2019 to 31 December 2020. Furthermore, (i) 10 out of 24 of the residential units of Magazine Gap Towers were vacant and half of the occupied residential units had committed tenants with tenancy terms expiring in 2022; and (ii) two of the residential units of Magazine Heights were vacant and 8 out of 21 of the occupied residential units had committed tenants with tenancy terms expiring in 2022.

As aforementioned, Shareholders who want to exit from investment in the Shares would have to seek another potential investor that is known to them to take up their equity investments, or require the Company to repurchase the Shares, both are difficult exit paths for the Independent Shareholders. Receiving dividend is another way to generate investment return for the Shareholders. Nevertheless, as aforementioned, there was no dividend declared or paid by the Company to its Shareholders since the incorporation of the Company in March 2007. Given the latest financial performance and financial position, together with the net operating cash outflows recorded by the Group during the two years ending 31 December 2020, the Directors consider that it is uncertain as to whether the Group may improve its financial position for dividend payout in near future.

Industry overview

Set out below are the rental indices of private domestic units in Hong Kong during the five years ended 31 December 2020 and up to November 2021, being the latest five full-year statistics and up to the latest month published by the Rating and Valuation Department of Hong Kong:

	November					
	2021	2020	2019	2018	2017	2016
	<i>(Note)</i>					
Rental index of private domestic units	182.0	180.3	194.4	193.0	182.6	168.2
Rental index of Class E private domestic units	144.4	136.2	148.3	148.7	143.9	141.9

Note: Provisional figures

As shown in the above table, the rental indices for private domestic units recorded year-on-year increase during each of the year 2017, 2018 and 2019. The rental index of private domestic units decreased from 194.4 in 2019 to 180.3 in 2020, representing a decrease of approximately 7.25%, and recovered slightly to 182.0 in November 2021. The rental indices of Class E private domestic units (domestic unit with 160 square metres or above) recorded year-on-year increase during each of the year 2017 and 2018. The rental index of Class E private domestic units decreased from 148.7 in 2018 to 148.3 in 2019, and further decreased to 136.2 in 2020, representing decrease of approximately 0.27% and 8.16% respectively. The rental index of Class E private domestic units recovered to 144.4 in November 2021.

Set out below are the average rent per square metre per month for Class E domestic units in Hong Kong Island during the five years ended 31 December 2020 and up to November 2021, being the latest five full-year statistics and up to the latest month published by the Rating and Valuation Department of Hong Kong:

	November					
	2021	2020	2019	2018	2017	2016
	<i>(Note)</i>					
Average rent for Class E private domestic units in Hong Kong Island (HK\$ per square metre per month)	453	423	468	474	454	443

Note: Provisional figures

As shown in the above table, the average rent per square metre per month for Class E private domestic units in Hong Kong Island recorded year-on-year increase during each of the year 2017 and 2018. The average rent for Class E private domestic units in Hong Kong Island decreased from HK\$474 per square metre per month in

2018 to HK\$468 per square metre per month in 2019, and further decreased to HK\$423 per square metre per month in 2020, representing decrease of approximately 1.27% and 9.62% respectively. The average rent for Class E private domestic units in Hong Kong Island recovered slightly to HK\$453 per square metre per month in November 2021.

We also searched for the rental yield of properties in the Hong Kong Island during the five years ended 31 December 2020 and up to November 2021 from Midland Holdings Limited's website, a company listed on the Stock Exchange and is one of the leading property agency groups in Hong Kong. We noted the rental yield is on a general decreasing trend, the rental yield decreased from 3.97% for May 2016 to 3.25% for December 2020, the rental yield further decreased to 3.11% for August 2021 thereafter and slightly recovered to 3.14% for November 2021.

In light of the above, the possibility and pace of recovery of Hong Kong property market in the near future are uncertain.

Having considered the above reasons and the uncertainty in the Hong Kong property market as illustrated above, we are also of the view that the Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a fixed price cash consideration.

(5) The Cancellation Price

Cancellation Price comparison

The Cancellation Price of HK\$0.56 per Scheme Share represents (i) a discount of approximately 76.67% (the “**NAV Discount**”) to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$2.40 as at 31 December 2020. ; and (ii) a discount of approximately 77.05% (the “**Adjusted NAV Discount**”) to the Adjusted NAV per Share of approximately HK\$2.44.

Comparison with other comparable companies

To further assess the fairness and reasonableness of the Cancellation Price, we performed trading multiple analysis which only includes price to book ratio (“**PBR**”) as set out below. Given that (i) there was no dividend declared or paid by the Company to its Shareholders since the incorporation of the Company in March 2007, the dividend yield was impractical; and (ii) the Group recorded net loss attributable to equity shareholders of the Company for FY2020, the price to earnings was impractical.

As abovementioned, revenue from gross rental from investment properties in Hong Kong contributed most of the Group's total revenue for both years ended 31 December 2019 and 2020 and the Major Properties comprised of majority of the Group's investment properties. Accordingly, we searched for listed companies in Hong Kong which (i) are engaged in similar line of businesses of the Group, being the property investment/leasing business and derived more than 70% of their turnover from the same; and (ii) have investment properties located in Hong Kong that accounted for over 70% of its total assets, for comparison. We found 16 companies listed below

which met the aforesaid criteria and they are exhaustive (the “**Comparable Company(ies)**”). Despite that the Company is an unlisted public company, we consider that making reference to the trading multiples of listed companies in Hong Kong is appropriate as (i) the Company has numerous shareholders; and (ii) we could obtain publicly available information of companies which are engaged in similar line of businesses of the Group (i.e. the Comparable Companies) for objective comparison.

Set out below are the PBRs of the Comparable Companies based on their closing prices and their latest published financial information as at 12 November 2021, being the last trading day prior to the Announcement (the “**Last Trading Day**”) (discounts to the net asset value attributable to owners of the company per share of the Comparable Companies’ as represented by their respective share closing prices as at the Last Trading Day (the “**Comparable NAV Discount(s)**”) are also included herein for information):

Company name (Stock code)	Principal business	Year-end date	PBR	Comparable NAV Discount (%)
Hysan Development Company Limited (14)	Property investment, management and development	31 December 2020	0.37	(62.59)
China Motor Bus Company, Limited (26)	Property development and investment	30 June 2021	0.57	(43.28)
Far East Holdings International Limited (36)	Property investment, securities investment, manufacturing and sale of garment products	31 December 2020	0.19	(81.03)
Tai Sang Land Development Limited (89)	Property investment, property rental, property development, estate management and agency and hotel operation	31 December 2020	0.14	(85.57)
Associated International Hotels Limited (105)	Property investment	31 March 2021	0.44	(55.75)
Melbourne Enterprises Limited (158)	Property investment and investment holding	30 September 2020	0.48	(51.81)

Company name (Stock code)	Principal business	Year-end date	PBR	Comparable NAV Discount (%)
Pioneer Global Group Limited (224)	Real estate and investment	31 March 2021	0.16	(83.89)
Safety Godown Company, Limited (237)	Investment holding, treasury investment, properties investment and the operation of public godowns	31 March 2021	0.33	(67.21)
Tian Teck Land Limited (266)	Property leasing	31 March 2021	0.46	(53.95)
Asiasec Properties Limited (271)	Property investment (including by way of equity investment), property leasing and estate management	31 December 2020	0.21	(78.62)
Tern Properties Company Limited (277)	Property investment and management, securities investment and treasury management	31 March 2021	0.31	(69.22)
Great Wall Pan Asia Holdings Limited (583)	Property investment and provision of financial services	31 December 2020	0.21	(79.46)
Zhongchang International Holdings Group Limited (859)	Property leasing and property development	31 December 2020	0.55	(44.89)
Wing Lee Property Investments Limited (864)	Property investment	31 December 2020	0.23	(77.44)

Company name (Stock code)	Principal business	Year-end date	PBR	Comparable NAV Discount (%)
Swire Properties Limited (1972)	Property investment, property trading and investment in and operation of hotels	31 December 2020	0.43	(57.02)
Thing On Enterprise Limited (2292)	Property investment and management	31 December 2020	0.50	(49.62)
		Maximum	0.57	(85.57)
		Minimum	0.14	(43.28)
		Average	0.35	(65.08)
		Median	0.35	(64.90)
The Company (the Proposal)			0.23 (Note 2)	NAV Discount: (76.67) Adjusted NAV Discount: (77.05)

Notes:

1. The PBRs of the Comparable Companies were calculated based on their respective net assets attributable to the owners of the company according to their latest published annual results or interim results and their respective closing price as quoted on the Stock Exchange and total issued shares as at the Last Trading Day.
2. The implied PBR of the Proposal was calculated based on the Cancellation Price and the net asset value attributable to owners of the Company per Share as at 31 December 2020 (similar result was derived from calculation based on the Adjusted NAV per Share).

The PBRs of the Comparable Companies ranged from 0.14 times to 0.57 times, with an average of 0.35 times and a median of 0.35 times. The implied PBR of the Proposal is within the said PBR range of the Comparable Companies and is lower than the average and median of the Comparable Companies.

Despite that the Cancellation Price represents the NAV Discount of approximately 76.67% and the Adjusted NAV Discount of approximately 77.05%, having considered (i) the implied PBR of the Proposal is within the said PBR range of the Comparable Companies; (ii) the share prices of all of the Comparable Companies as at the Last Trading Day represent discounts to their respective net asset value attributable to shareholders per share; and (iii) 6 out of 16 of the Comparable NAV Discounts are deeper as compared to the NAV Discount of approximately 76.67% and the Adjusted NAV Discount of approximately 77.05%, we consider the Cancellation Price to be fair

and reasonable and we are of the view that the Scheme provides a feasible exit path for Independent Shareholders to realise their investments in the Shares without having to incur undue costs or efforts.

RECOMMENDATION

Having taken into consideration the principal factors and reasons as discussed above, in particular:

- I. the Proposal provides the Scheme Shareholders with an opportunity to realise their investments in the Shares at a fixed-price cash consideration, after taking into account:
 - (i) the difficulty for Independent Shareholders to exit from the investment in the Shares since the Shares are not listed or traded on any securities exchange
 - (ii) the financial performance and financial position of the Group as demonstrated under the section headed “(2) Information on the Group” above, in particular:
 - the increase in net loss attributable to equity shareholders of the Company from FY2019 to FY2020;
 - as at 31 December 2021, (a) 10 out of 24 of the residential units of Magazine Gap Towers were vacant and half of the occupied residential units had committed tenants with tenancy terms expiring in 2022; and (b) two of the residential units of Magazine Heights were vacant and 8 out of 21 of the occupied residential units had committed tenants with tenancy terms expiring in 2022;
 - as at 31 December 2020, the carrying amounts of the Group’s major assets (i.e. investment properties and long term investments) decreased by approximately HK\$160.73 million in aggregate as compared to that as at 31 December 2019;
 - (iii) the uncertainty in the Hong Kong property market as illustrated under the sub-section headed “Industry overview” above;
 - (iv) although receiving dividend is another way to generate investment return for the Shareholders, there was no dividend declared or paid by the Company to its Shareholders since the incorporation of the Company in March 2007. Given the latest financial performance and financial position, together with the net operating cash outflows recorded by the Group during the two years ending 31 December 2020, the Directors consider that it is uncertain as to whether the Group may improve its financial position for dividend payout in near future; and

- II. the Cancellation Price being fair and reasonable based on our analysis on the Cancellation Price as set out above,

we are of the opinion that the terms of the Proposal are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend (1) the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and (2) the Shareholders to vote at the SGM in favour of (i) a special resolution to give effect to the Scheme including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) ordinary resolutions to immediately thereafter restore the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

This Explanatory Statement constitutes the explanatory statement required under section 100 of the Companies Act.

**PROPOSED PRIVATISATION OF
HONG FOK LAND INTERNATIONAL LIMITED BY
THE JOINT OFFERORS
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99
OF THE COMPANIES ACT OF BERMUDA**

INTRODUCTION

On 14 November 2021, the Joint Offerors requested the Board to put forward to the Shareholders the Proposal for the privatisation of the Company, which will involve the implementation of the Scheme to cancel and extinguish the Scheme Shares and the payment of the Cancellation Price to the Scheme Shareholders. The Scheme will be carried out by way of a scheme of arrangement under section 99 of the Companies Act.

If the Scheme is approved and the Proposal is implemented, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Subject to and immediately after such reduction taking effect, the issued share capital of the Company will be restored to its former amount by the issuance at par to the Joint Offerors, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares to be issued, credited as fully paid, to the Joint Offerors.

The purpose of this Explanatory Statement is to explain the terms and effects of the Scheme and to provide the Scheme Shareholders with other relevant information in relation to the Scheme, and in particular, to provide the intentions of the Joint Offerors with regard to the Company and the shareholding structure of the Company before and after the Scheme becoming effective.

THE PROPOSAL

Approval by Scheme Shareholders

Only Scheme Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Joint Offerors and parties acting in concert with them will not vote at the Court Meeting on the resolution to approve the Scheme.

As at the Latest Practicable Date, there are 1,451,190,401 Shares in issue of which the Joint Offerors are interested in an aggregate of 1,183,212,665 Shares, representing approximately 81.53% of the total issued share capital of the Company. The Scheme Shareholders are interested in 267,977,736 Scheme Shares, representing approximately 18.47% of the total issued share capital of the Company, as at the Latest Practicable Date. There are no outstanding warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

Consideration

The Cancellation Price will not be increased and the Joint Offerors do not reserve the right to do so.

If the Scheme is approved and the Proposal is implemented, the Scheme Shares will be cancelled and extinguished and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price, being HK\$0.56 in cash for each Scheme Share cancelled and extinguished.

The total consideration payable to the Scheme Shareholders for the Scheme Shares cancelled and extinguished will be paid by the Joint Offerors.

The maximum amount of consideration required for the Scheme is approximately HK\$150,067,532.

Basis of determination of the Cancellation Price

The Cancellation Price of HK\$0.56 per Scheme Share values the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK\$812,666,624. The Cancellation Price represents (i) a discount of approximately 76.7% to the Group's net asset value per Share of approximately HK\$2.40 pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2020; and (ii) a discount of approximately 77.0% to the Group's adjusted net asset value per Share of approximately HK\$2.44 pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2020 and adjusted by the valuation of the investment properties of the Group of approximately HK\$3,187.1 million as at 31 October 2021.

Due to the lack of public trading market of the Shares, the Cancellation Price was determined on arm's length basis after taking into account, among other things, the latest available financial information of the Company including the valuation reports on the Group's investment properties as at 31 October 2021 prepared for the purpose of the financial statements, market multiples of comparable companies listed on the Stock Exchange and the prevailing market conditions and sentiments.

Confirmation of financial resources

The Joint Offerors intend to finance the consideration required for the Scheme through their own internal financial resources.

Lego has been appointed as the financial adviser to the Joint Offerors in connection with the Proposal.

Lego, as the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are, and will remain, available to the Joint Offerors for the full implementation of the Proposal in accordance with its terms.

SCHEME CONDITIONS

The Proposal will become effective and binding on the Joint Offerors, the Company and all Scheme Shareholders subject to the fulfillment or waiver (as applicable) of the following Scheme Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by Independent Shareholders present and voting, either in person or by proxy, at the Court Meeting by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast, either in person or by proxy, at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Independent Shareholders, pursuant to Rule 2.10 of the Takeovers Code;
- (c) (i) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting, in person or by proxy, at the SGM, to give effect to the Scheme including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and (ii) the passing of the relevant ordinary resolutions by a simple majority of the votes cast by the Shareholders present and voting in person or by proxy at the SGM to immediately thereafter restore the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors;
- (d) the Bermuda Court's sanction of the Scheme (with or without modifications) and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Bermuda Court for registration;
- (e) compliance with the procedural requirements of the Companies Act in relation to the Scheme and the reduction of the issued share capital of the Company respectively;
- (f) all Authorisations (if any) in connection with the Proposal from or with (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, Singapore and/or any other relevant jurisdictions having been obtained and, if applicable, any waiting periods having expired or terminated (in each case where any of such Authorisations is material in the context of the Company and in the context of the Proposal);

- (g) the giving of all necessary notices to the Bermuda Monetary Authority;
- (h) all Authorisations (if any) remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for (or is in addition to requirements expressly provided for) in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective (in each case where any of such Authorisations is material in the context of the Company and in the context of the Proposal);
- (i) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Group being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group taken as a whole;
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme void, unenforceable or illegal (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme); and
- (k) no litigation, arbitration proceedings, prosecution or other legal proceedings being instituted against the Company after the date of this Scheme Document and no such proceedings being threatened in writing against it (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court in respect of any such member or the business carried on by any such member having been threatened in writing, announced or instituted), in each case which is material and adverse in the context of the Company and in the context of the Proposal.

The Joint Offerors reserve the right to waive Scheme Conditions (i) to (k) either in whole or in part, either generally or in respect of any particular matter. Scheme Conditions (a) to (h) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Joint Offerors may only invoke any or all of the Scheme Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Scheme Condition are of material significance to the Joint Offerors in the context of the Proposal. The Company has no right to waive any of the Scheme Conditions. All of the above Scheme Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing of which the Scheme will lapse. When all the Scheme Conditions are satisfied or waived, as applicable, the Scheme will become effective and binding on the Joint Offerors, the Company and all the Scheme Shareholders. If approved, the Proposal will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM.

In respect of Scheme Conditions (f), (h) and (i), the Joint Offerors are not aware of any Authorisations or consents which are required, save for the Bermuda Court's sanction of the Scheme which is already set out above as separate Scheme Condition (d) and the SIC's confirmation that the HFC Subsidiaries, Cheong Zee Yee Ling, Helen, Cheong Hooi Kheng and persons acting in concert with them will not be required to make a mandatory general offer for Hong Fok Corporation under Note 7 to Rule 14.1 of the Singapore Code on Take-overs and Mergers as a result of the Scheme, which has been obtained as at the Latest Practicable Date.

The Joint Offerors are not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the Scheme Conditions.

As at the Latest Practicable Date, none of the Scheme Conditions has been fulfilled or waived (as applicable).

Assuming that the Scheme Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective before 31 July 2022.

Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Scheme Conditions being fulfilled or waived, as applicable, and thus may or may not become effective. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

THE CONSORTIUM AGREEMENT

On 14 November 2021, the Joint Offerors entered into the Consortium Agreement, pursuant to which they agreed, among other things, the followings:

- 1) the appointment of Lego as the financial adviser to the Joint Offerors for the Scheme;
- 2) all decisions relating to the Proposal will be made jointly by the Joint Offerors;
- 3) the commitment of the respective funding obligation of each of the Joint Offerors is in accordance with the respective proportion of the percentage interests of the total number of the Scheme Shares to be acquired under the Proposal (as set out in the table below), and each of the Joint Offerors has deposited funds sufficient to cover his/her/its respective funding obligation to the designated bank account held in the name of HF (HK);

- 4) the Joint Offerors agreed to acquire and pay for Shares solely from the funds deposited in the designated bank account held in the name of HF (HK) in the same aggregate number of Scheme Shares which are cancelled pursuant to the Scheme in the following proportion:

Joint Offerors	Number of Scheme Shares	Approximate % of the total number of Scheme Shares (Note)	The consideration payable for the respective Scheme Shares to be acquired HK\$
HF (Cayman)	69,745,461	26.03	39,057,458.16
HF (HK)	5,959,866	2.23	3,337,524.96
HF Enterprises	3,652,976	1.36	2,045,666.56
Cheong Zee Yee Ling, Helen	19,438,343	7.25	10,885,472.08
Cheong Hooi Kheng	11,444,418	4.27	6,408,874.08
Barragan	76,033,844	28.37	42,578,952.64
Dekker	81,702,828	30.49	45,753,583.68
Total	267,977,736	100.00	150,067,532.16

Note:

The proportionate interests of Scheme Shares to be acquired by the Joint Offerors were arrived at after arm's length negotiations among the Joint Offerors. Rounded to 2 decimal places.

- 5) each of the Joint Offerors shall not, and shall procure its concert parties not to, sell, transfer, charge, pledge, encumber, create or grant any option or lien over or otherwise dispose of (or permit any such action to occur in respect of) all or any of the Shares or any interest therein to any other persons during the term of the Consortium Agreement until the Scheme becomes effective or lapses, or an announcement is made for the withdrawal of the Scheme.

SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT

Section 99 of the Companies Act provides that where an arrangement is proposed between a company and its members or any class of them, the Bermuda Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Bermuda Court directs.

It is expressly provided in section 99 of the Companies Act that if a majority in number representing three-fourths in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting (convened as

directed by the Bermuda Court as aforesaid), agree to any arrangement, the arrangement shall, if sanctioned by the Bermuda Court, be binding on all members or class of members, as the case may be, and also on the company.

THE ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by Bermuda law as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (i) the Scheme is approved by at least 75% of the votes attaching to the disinterested Shares (namely, the Shares held by the Independent Shareholders) that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested Shares (namely, the Independent Shareholders); and
- (ii) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all disinterested Shares (namely, all the Shares held by the Independent Shareholders).

BINDING EFFECT OF THE SCHEME

If the Scheme is approved at the Court Meeting in accordance with the requirements of section 99 of the Companies Act and Rule 2.10 of the Takeovers Code, as described above, and is sanctioned by the Bermuda Court and the other Scheme Conditions are either fulfilled or (to the extent permitted) waived, the Scheme will become binding on the Company and all the Scheme Shareholders.

If the Scheme becomes effective and binding:

- (i) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares, and all share certificates representing holdings of those Scheme Shares will cease to have effect as documents of title;
- (ii) subject to and immediately after the reduction of the issued share capital referred to in paragraph (i) above taking effect, the issued share capital of the Company will be restored to its former amount by the issuance at par to the Joint Offerors, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished;
- (iii) the credit amount arising in the books of accounts of the Company as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the above-mentioned new Shares to be allotted and issued to the Joint Offerors; and

- (iv) the Joint Offerors will pay the Cancellation Price of HK\$0.56 per Scheme Share to the Scheme Shareholders for each Scheme Share held by them as at the Scheme Record Date.

As a result, the Joint Offerors will, in aggregate, hold the entire issued share capital of the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY

The Company has 1,451,190,401 Shares in issue as at the Latest Practicable Date. As at the Latest Practicable Date, Hong Fok Corporation indirectly holds 631,724,993 Shares, representing approximately 43.53% of the total issued share capital of the Company, through its three subsidiaries, namely HF (Cayman), HF (HK) and HF Enterprises. The Joint Offerors are interested in an aggregate of 1,183,212,665 Shares, representing approximately 81.53% of the total issued share capital of the Company.

The controlling shareholders and the largest group of shareholders of Hong Fok Corporation are Mr. Cheong PC, Mr. Cheong SE and their siblings, together with their spouses, children, grandchild and companies controlled by them (the “**Cheong Family**”), who in aggregate hold approximately 48.21% of the issued shares of Hong Fok Corporation as at the Latest Practicable Date. The breakdown of the shareholding interests being held by each respective member of the Cheong Family is set out below:

Shareholding in Hong Fok Corporation

	Number of shares held	Approximate % of the total issued share capital
Cheong Kim Pong [a]	74,777,299	8.85
Cheong Pin Seng [b]	125	–
Cheong SE [c]	116,047,500	13.74
Cheong PC [d]	118,876,047	14.07
Goodyear Realty Co. Pte. Ltd. (“ Goodyear ”) [e]	44,485,758	5.27
Corporate Development Limited (“ Corp Dev ”) [f]	8,113,776	0.96
Cheong Hooi Kheng [g]	14,832,180	1.76
Cheong Loo Kheng [g]	1,615,840	0.19
Cheong Puay Kheng [g]	14,243,400	1.69
Cheong Lay Kheng [g]	14,233,000	1.68
Total Cheong Family	407,224,925	48.21

Notes:

[a] Brother of Cheong PC and Cheong SE. Includes the shareholding of Cheong Kim Pong’s children and grandchild but excludes his interests through Goodyear.

[b] Brother of Cheong PC and Cheong SE and includes the shareholding of his son.

- [c] Includes shareholding of Cheong SE's spouse but excludes his interests through Goodyear and Corp Dev.
- [d] Includes shareholding of Cheong PC's spouse, his son and company owned by him and his spouse but excludes his interests through Goodyear and Corp Dev.
- [e] Goodyear is beneficially owned as to 25% by Cheong Kim Pong, 37.5% by Cheong PC and 37.5% by Cheong SE.
- [f] Corp Dev is beneficially owned as to 50% by Cheong PC and 50% by Cheong SE.
- [g] Sister of Cheong PC and Cheong SE.

As at the Latest Practicable Date, Hong Fok Land Holding Limited, an indirect wholly-owned subsidiary of the Company, has an interest of approximately 21.02% in Hong Fok Corporation.

The table below sets out the simplified shareholding structure of the Company as at the Latest Practicable Date and on the basis that the Scheme becomes effective, immediately upon completion of the Scheme:

Shareholders	As at the Latest Practicable Date		Upon completion of the Scheme (assuming there is no change in shareholding of the Company before completion of the Proposal)	
	Number of Shares	Approximate % (Note 1)	Number of Shares	Approximate % (Note 1)
Joint Offerors				
HF (Cayman)	555,202,784	38.26	624,948,245	43.06
HF (HK)	47,443,003	3.27	53,402,869	3.68
HF Enterprises	29,079,206	2.00	32,732,182	2.26
Cheong Zee Yee Ling, Helen	3,397,000	0.23	22,835,343	1.57
Cheong Hooi Kheng	2,000,000	0.14	13,444,418	0.93
Barragan	285,312,566	19.66	361,346,410	24.90
Dekker	260,778,106	17.97	342,480,934	23.60
Sub-total	1,183,212,665	81.53	1,451,190,401	100.00
Total number of Scheme Shares held by the Scheme Shareholders	267,977,736	18.47	—	—
Total	1,451,190,401	100.00	1,451,190,401	100.00

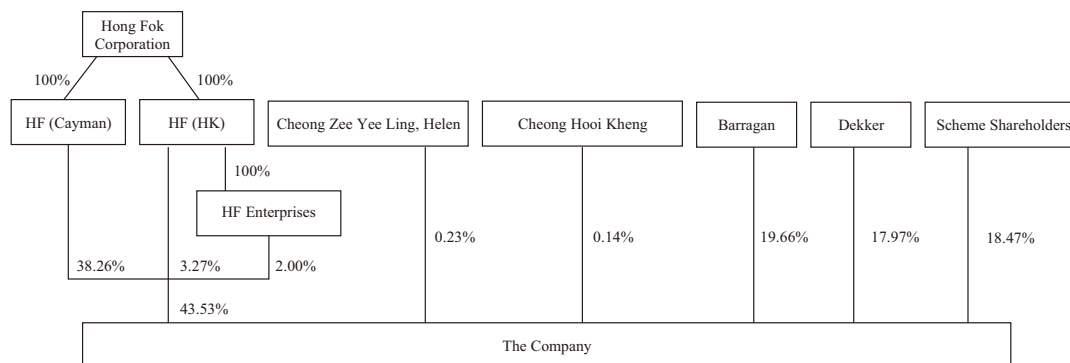
Note 1: Rounded to 2 decimal places.

EFFECTS OF THE SCHEME

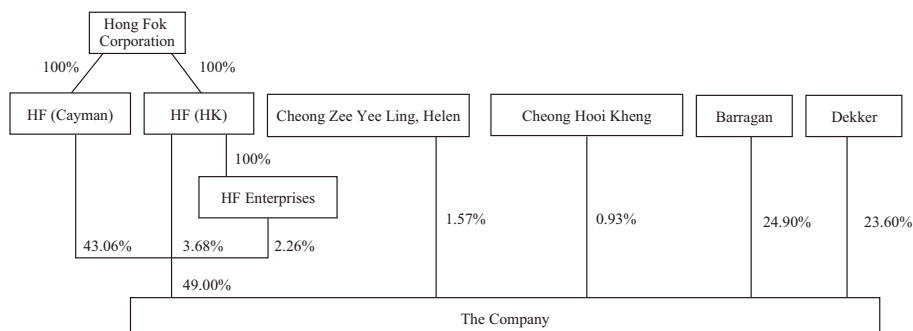
Shareholding structure of the Company

The charts below shows the simplified shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately following the implementation of the Proposal:

(i) As at the Latest Practicable Date



(ii) Upon completion of the Scheme (assuming there is no change in shareholding of the Company before completion of the Proposal)

*Material interests of the Directors and effects of the Scheme on such interests*

As at the Latest Practicable Date, Mr. Cheong PC and Mr. Cheong SE, being Directors, have abstained and will continue to abstain from voting at the relevant meetings of the Board in relation to the Proposal given each of them has a material interest in the Proposal. Cheong Zee Yee Ling, Helen, a joint offeror, is the spouse of Mr. Cheong PC; and Cheong Hooi Kheng, a joint offeror, is the sibling of both Mr. Cheong PC and Mr. Cheong SE.

REASONS FOR AND BENEFITS OF THE PROPOSAL

There is no open market for the trading of the Shares. The Proposal will provide an opportunity for Shareholders to realise their investments in the Shares at a fixed-price cash consideration. From the point of view of the management of the Company, the privatisation of the Company would allow the Joint Offerors to further consolidate its interests in the Company and streamline the decision-making process in the long term. Following the implementation of the Proposal, the Joint Offerors would be able to enjoy the flexibility to manage the Company's business with a more simplified corporate governance structure.

INTENTION OF THE JOINT OFFERORS WITH REGARD TO THE COMPANY

Following the implementation of the Proposal, the Joint Offerors intend that the Company should continue carrying on its business and does not intend to make any major changes to the current operations. The Joint Offerors have no plan to introduce any material changes to the business and/or assets of the Company, to redeploy its fixed assets or to discontinue the employment of employees of the Company as a result of the Proposal. The Joint Offerors will continue to monitor the Company's performance and adopt necessary and suitable business strategies to facilitate the development of the Company. The Joint Offerors will not have any power of compulsory acquisition under the Proposal.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an unlisted public company incorporated in Bermuda with limited liability on 26 March 2007, with a total of 1,914 Shareholders as at the Latest Practicable Date. Its securities are not listed or traded on any securities exchange. The Group is principally engaged in property investment and management, and securities trading. The revenue of the Group derives primarily from rental income and the Group's investment properties are located in Hong Kong and Singapore.

In 2007, as part of a reorganisation of Winfoong (a company listed in Hong Kong with its stock code: 63; now known as China Asia Valley Group Limited), shares of the Company were distributed to the then shareholders of the 2007 Distribution. Since completion of the 2007 Distribution, the Company has been a public company in Hong Kong subject to the Takeovers Code.

The table below sets out certain audited financial results of the Company for each of the two financial years ended 31 December 2019 and 2020 which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31	
	December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Revenue	45,207	50,963
Loss before taxation	(162,545)	(141,858)
Loss attributable to equity holders of the Company	(165,132)	(142,354)

Based on the audited consolidated financial statements of the Company as at 31 December 2020 prepared in accordance with Hong Kong Financial Reporting Standards, the audited net asset value of the Company as at 31 December 2020 amounted to approximately HK\$3,481,738,000.

The Directors confirmed that, having considered, amongst others, the loan facilities in the amount of HK\$550,000,000 granted by Nanyang Commercial Bank, Limited, the Group was solvent as at 31 December 2021, and will be solvent by the Effective Date.

Your attention is also drawn to the financial information of the Company set out in Appendix I to this Scheme Document.

INFORMATION ON THE JOINT OFFERORS

Information of HF (Cayman)

HF (Cayman) was incorporated in the Cayman Islands with limited liability. The principal business of HF (Cayman) is investment holding. As at the Latest Practicable Date, HF (Cayman) is wholly-owned by Hong Fok Corporation.

Information of HF (HK)

HF (HK) was incorporated in the Hong Kong with limited liability. The principal business of HF (HK) is investment holding. As at the Latest Practicable Date, HF (HK) is wholly-owned by Hong Fok Corporation.

Information of HK Enterprises

HF Enterprises was incorporated in the Hong Kong with limited liability. The principal business of HF Enterprises is investment holding. As at the Latest Practicable Date, HF Enterprises is wholly-owned by HF (HK).

Information of Hong Fok Corporation

Hong Fok Corporation is a public company listed on the Singapore Exchange Securities Trading Limited. The principal activity of Hong Fok Corporation is that of investment holding whose subsidiaries are primarily engaged in property investment, property development and construction, property management, investment trading and investment holding and management.

Information of Cheong Zee Yee Ling, Helen

Cheong Zee Yee Ling, Helen, aged 71, is the spouse of Mr. Cheong PC. Cheong Zee Yee Ling, Helen is currently the director of several private companies in Hong Kong, of which the principal activities are property investment. She is mainly responsible for overseeing the business's performance of these companies.

Information of Cheong Hooi Kheng

Cheong Hooi Kheng, aged 68, is the sibling of Mr. Cheong PC and Mr. Cheong SE. Cheong Hooi Kheng is an executive director and chief operating officer of Hong Fok Corporation and is principally involved in HFC Group's development of properties. She also oversees the project management in relation to the development and construction of properties, the leasing and marketing of HFC Group's real estate properties and major financial affairs of HFC Group in Singapore. Cheong Hooi Kheng is also a director of property development of Hong Fok Land Investment Limited, a wholly-owned subsidiary of the Company, where she is responsible for overseeing property development operations of the Group. She has over 42 years of experience in the property development and construction business.

Information of Barragan

Barragan was incorporated in the British Virgin Islands with limited liability. The principal business of Barragan is investment holding. As at the Latest Practicable Date, Barragan is ultimately owned by Mr. Kuo Pao Chih, Keith (a retired individual residing in Singapore).

Information of Dekker

Dekker was incorporated in the British Virgin Islands with limited liability and was registered as an international company being continued under the laws of Samoa. The principal business of Dekker is investment holding. As at the Latest Practicable Date, Dekker is ultimately owned by Mr. Lee Keng Seng (a retired individual residing in Malaysia).

SHARE CERTIFICATES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished. Share certificates for the Scheme Shares held by the Scheme Shareholders will thereafter cease to have effect as documents of, or evidence of, title. The Scheme

Shareholders will be notified by way of an announcement of the exact date on which the Scheme will become effective. The Scheme will lapse if it does not become effective on or before the Long Stop Date.

REGISTRATION AND PAYMENT

Upon the Scheme becoming effective, payment of the consideration of the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date. On the basis that the Scheme becomes effective on 28 February 2022 (Bermuda time), cheques for payment of the consideration payable under the Scheme are expected to be despatched as soon as possible but in any event within seven business days (as defined in the Takeovers Code) from the date when the Scheme becomes effective. Cheques will be sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Company, the Joint Offerors or their respective financial advisers will be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Joint Offerors shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company.

The Company shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, together with any interest earned thereon, to persons who satisfy the Company that they are respectively entitled thereto and that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Joint Offerors and the Company shall be released from any further obligation to make any payments under the Scheme and the Company shall thereafter transfer to the Joint Offerors the balance (if any) of the sums then standing to the credit of the deposit account, including any interest accrued thereon subject, if applicable, to the deduction of any withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

The latest time for lodging transfers of the Shares to qualify for entitlements under the Scheme is 4:30 p.m. on Thursday, 17 February 2022. Scheme Shareholders should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees with the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before that time.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date. Settlement of the cash entitlements to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the

Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Joint Offerors or the Company may otherwise be, or claim to be, entitled against such Scheme Shareholder.

OVERSEAS SCHEME SHAREHOLDERS

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws and regulations of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax and regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, and the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due from the Shareholders in such jurisdiction.

Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Joint Offerors and the Company and their respective advisers, including Lego, the financial adviser to the Joint Offerors, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

As at the Latest Practicable Date, there were 62 overseas Scheme Shareholders (representing approximately 3% of the total number of Scheme Shareholders) whose addresses as shown in the register of members of the Company were outside Hong Kong, and together held 39,595,790 Shares (representing approximately 3% of the total number of issued Shares and approximately 14.78% of the total number of Scheme Shares). Those 62 Scheme Shareholders included Shareholders in Australia, Canada, PRC, United Kingdom, Guam, Japan, Macau, Malaysia, Philippines, Singapore, Taiwan, United States of America and British Virgin Islands.

The directors of the Corporate Joint Offerors, Individual Joint Offerors and the Directors had been advised by the local counsels of the relevant jurisdictions that there is no restriction under the respective laws or regulations of the aforementioned jurisdictions against extending the Scheme automatically or dispatching this Scheme Document to those overseas Shareholders. The Scheme will be extended and this Scheme Document will be despatched to those overseas Shareholders.

TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme and in particular, whether receipt of the Cancellation Price would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasized that none of the Company, the Joint Offerors, Lego, Gram Capital, their respective officers or advisers and any other person involved in the Proposal accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

COURT MEETING AND SGM

The Bermuda Court has directed that the Court Meeting be convened and held for the purpose of considering and, if thought fit, approving the Scheme (with or without modifications). The Scheme will be approved under the Companies Act if a majority in number representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting vote in favour of the Scheme. However, the Scheme will only be considered to have been approved under the Takeovers Code if (i) the Scheme is approved (by way of a poll) by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Independent Shareholders.

The SGM will be held immediately following the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to give effect to the Scheme including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares. The special resolution will be passed if it is approved by a majority of at least 75% of the votes cast by the Shareholders present and voting, in person or by proxy, at the SGM. All Shareholders will be entitled to attend and vote on the special resolution at the SGM. Ordinary resolutions will be proposed at the SGM approving, amongst other things, (i) the restoration of the issued share capital of the Company to its former amount by the issue of the same number of Shares as the number of the Scheme Shares cancelled and extinguished, credited as fully paid, to the Joint Offerors; and (ii) the application by the Company of the credit arising in the books of account of the Company as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par the new Shares to be issued to the Joint Offerors. All Shareholders will be entitled to attend and vote on the ordinary resolutions proposed at the SGM.

As at the Latest Practicable Date, there are 1,451,190,401 Shares in issue of which the Joint Offerors are interested in an aggregate of 1,183,212,665 Shares, representing approximately 81.53% of the total issued share capital of the Company. The Scheme Shareholders are interested in 267,977,736 Scheme Shares, representing approximately 18.47% of the total issued share capital of the Company.

No person shall be recognised by the Company as holding any Shares upon any trust. Any beneficial owner of the Shares (the “**Beneficial Owner**”) whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party (the “**Registered Owner**”) should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the SGM. If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the SGM personally, you should:

- (i) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the SGM and, for such purpose, the Registered Owner may appoint you as his/her/its proxy; or
- (ii) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Tuesday, 8 February 2022 with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the SGM.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the SGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the SGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company for the purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under section 99 of the Companies Act. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as a member of the Company in their own name prior to the Meeting Record Date.

If you are a Registered Owner holding Shares on behalf of Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote and that Beneficial Owners should consider transferring some or all of their Shares into their own names if they wish to be counted individually for the purposes of the headcount test.

Notice of the Court Meeting is set out in Appendix VI to this Scheme Document. The Court Meeting will be held at 9:30 a.m. on Tuesday, 15 February 2022 at 1st Floor, The Board Room and Pre-Function Room, The Aberdeen Marina Club, 8 Shum Wan Road, Aberdeen, Hong Kong.

Notice of the SGM is set out in Appendix VII to this Scheme Document. The SGM will be held at 10:00 a.m. on Tuesday, 15 February 2022 (or immediately after the conclusion or adjournment of the Court Meeting) at 1st Floor, The Board Room and Pre-Function Room, The Aberdeen Marina Club, 8 Shum Wan Road, Aberdeen, Hong Kong.

PRECAUTIONARY MEASURES AT THE COURT MEETING AND THE SGM

In view of the ongoing COVID-19 and requirements for its effective prevention and control, the Company will implement the following precautionary measures at the Court Meeting and SGM to protect the Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the Court Meeting and the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the Court Meeting and the SGM venue or be required to leave, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue;
- (ii) Each attendee may be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the Court Meeting and the SGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the Court Meeting and the SGM venue or be required to leave, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue;
- (iii) all attendees are required to wear surgical face masks throughout the Court Meeting and the SGM and inside the Court Meeting and the SGM venue at all times, and to maintain a safe distance between seats; and
- (iv) no refreshments will be served, and there will be no corporate gift.

Pursuant to the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Cap. 599G) (the “**Regulation**”), group gatherings of more than a designated number of persons as prescribed under the Regulation for shareholders’ meetings are required to be accommodated in separate rooms or partitioned areas.

The Company reminds attendees that they should carefully consider the risks of attending the Court Meeting and the SGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind all Shareholders that they may appoint **the chairman of the relevant meeting(s)** as their proxy to vote on their behalf at the relevant meeting(s) instead of attending and voting at the meeting(s) in person. In

light of the uncertainties of the development and severity of COVID-19 and the potential additional measures or other restrictions as may be imposed by the Hong Kong Government, Shareholders are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the SGM in accordance with the instructions printed thereon, and to lodge them with the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the times and dates as stated under the paragraph headed "Actions to be taken by the Shareholders" in the Explanatory Statement, to ensure that their votes will be counted at the respective meetings in the event that they are denied entry or are required to leave the meeting venue. A proxy need not be a member of the Company, but must attend the Court Meeting and the SGM in person to represent the underlying Shareholder. Completion and return of the relevant forms of proxy for the Court Meeting and the SGM will not preclude a Shareholder from attending and voting at the relevant meetings or any adjournment thereof, and in such event, the relevant forms of proxy will be revoked by operation of law.

Any Shareholder who does not comply with any COVID-19 regulations or is subject to any Hong Kong Government prescribed health quarantine may be denied entry into the meeting venue, but will be able to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue to the extent practicable. In light of the development of COVID-19, Shareholders are strongly urged to complete the relevant proxy forms and to appoint **the chairman of the relevant meeting(s)** as their proxy. For purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting (the "**headcount test**"), each Scheme Shareholder present and voting (in person or by proxy) at the Court Meeting will be counted as 1 member. If more than 1 Scheme Shareholder has appointed the chairman of the Scheme Meeting as proxy, the chairman will be counted as representing the number of Scheme Shareholders (for purposes of the headcount test) for whom he has been appointed as proxy at the Court Meeting.

The Company will keep the Shareholders informed by way of further announcement if there are any material updates on the Regulation which would affect the Court Meeting and SGM.

ACTION TO BE TAKEN BY THE SHAREHOLDERS

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the SGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the SGM, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and the enclosed **white** form of proxy in respect of the SGM, in accordance with the instructions printed thereon, and to lodge them with the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 9:30 a.m. on 13 February 2022 (or not less than 48 hours before the time appointed for an adjourned Court Meeting) and the **white** form of proxy for use at the SGM must be lodged

not later than 10:00 a.m. on 13 February 2022 (or not less than 48 hours before the time appointed for an adjourned SGM). In the case of the **pink** form of proxy in respect of the Court Meeting, in accordance with the order of the Bermuda Court dated on or about 13 January 2022, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it), if it is not so lodged. The **white** form of proxy in respect of the SGM will not be valid if it is not so lodged. The completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be revoked by operation of law.

An announcement will be made by the Company in relation to the results of the Court Meeting and the SGM. In addition, an announcement will be made of the results of the hearing of the petition to sanction the Scheme by the Bermuda Court and, if the Scheme is sanctioned, the Scheme Record Date and the Effective Date. If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the SGM, you will still be bound by the outcome of the Court Meeting and the SGM. You are therefore strongly urged to attend and vote at the Court Meeting and the SGM in person or by proxy.

Voting at the Court Meeting and the SGM will be taken by poll as required under the Takeovers Code.

For the purposes of determining the entitlements of the Shareholders to attend and vote at the Court Meeting and the SGM, the register of members of the Company will be closed from Wednesday, 9 February 2022 to Tuesday, 15 February 2022 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the SGM, all transfers accompanied by the relevant share certificates must be lodged with the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 8 February 2022.

COSTS OF THE SCHEME

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Joint Offerors in connection with the Proposal shall be borne by the Joint Offerors. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Company and the Joint Offerors have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Joint Offerors will be borne by the Joint Offerors, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Company and the Joint Offerors equally. All costs, charges and expenses of the Scheme and the Proposal are expected to amount to approximately HK\$6,600,000.

RECOMMENDATIONS

Your attention is drawn to the paragraph headed “Recommendations” in the letter from the Board set out in Part III of this Scheme Document, the recommendations of the Independent Board Committee in respect of the Proposal and the Scheme as set out in the letter from the Independent Board Committee in Part IV of this Scheme Document, and the letter from Gram Capital set out in Part V of this Scheme Document.

FURTHER INFORMATION

Additional information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the selected financial information of the Group for each of the three years ended 31 December 2020 as extracted from the audited financial statements as set out in the annual reports of the Company.

	For the year ended 31 December		
	2020	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	45,207	50,963	29,254
Net valuation gain/(loss) on investment properties	(121,044)	(98,801)	582,359
Profit/(loss) before taxation	(162,545)	(141,858)	526,287
Income tax credit/(expenses)	(2,587)	(496)	2,277
Profit/(loss) for the year attributable to equity shareholders of the Company	(165,132)	(142,354)	528,564
Total comprehensive income/(loss) for the year attributable to equity shareholders of the Company	(204,773)	(29,119)	332,725
Dividend per Share (HK cents)	–	–	–

Set out below are the basic earnings/(loss) per Share for each of the years ended 31 December 2020, 2019 and 2018, which are calculated based on the audited consolidated profit/(loss) attributable to owners of the Company for the years ended 31 December 2020, 2019 and 2018 of approximately (HK\$165,132,000), (HK\$142,354,000) and HK\$528,564,000, respectively, and the weighted average number of 1,451,017,614, 1,469,876,170 and 1,492,410,986 Shares in issue during the years ended 31 December 2020, 2019 and 2018, respectively.

	For the year ended 31 December		
	2020	2019	2018
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per Share			
– Basic	(11.38)	(9.68)	35.42

There were no exceptional items because of size, nature or incidence recorded in the consolidated financial statements of the Group for each of the years ended 31 December 2020, 2019 and 2018. The auditor of the Company, Crowe (HK) CPA Limited, did not issue any modified/qualified opinion nor emphasis of matter paragraph in the auditor's reports on the consolidated financial statements of the Company for any of the years ended 31 December 2020, 2019 and 2018.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION

Set out below is the full text of the audited consolidated financial statements of the Company for the year ended 31 December 2020.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	45,207	50,963
Cost of sales		<u>(8,168)</u>	<u>(17,534)</u>
Gross profit		<u>37,039</u>	<u>33,429</u>
Net valuation loss on investment properties	6(c), 9	(121,044)	(98,801)
Other revenue	5	13,292	15,668
Other net loss	5	(26)	(95)
Operating and administrative expenses		<u>(47,519)</u>	<u>(48,571)</u>
Loss from operations		(118,258)	(98,370)
Finance costs	6(a)	<u>(44,287)</u>	<u>(43,488)</u>
Loss before taxation	6	(162,545)	(141,858)
Income tax expenses	7(a)	<u>(2,587)</u>	<u>(496)</u>
Loss for the year attributable to equity shareholders of the Company		<u><u>(165,132)</u></u>	<u><u>(142,354)</u></u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income*For the year ended 31 December 2020**(Expressed in Hong Kong dollars)*

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(165,132)	(142,354)
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
– Equity investments at FVOCI – net movement in fair value reserve (non-recycling)	(40,640)	112,629
Items that may be reclassified subsequently to profit or loss:		
– Exchange difference on translation of financial statements of overseas subsidiaries, net of nil tax	1,009	636
– Debt investments at FVOCI – net movement in fair value reserve (recycling)	(10)	(30)
Other comprehensive (loss)/income for the year	(39,641)	113,235
Total comprehensive loss for the year attributable to equity shareholders of the Company	(204,773)	(29,119)

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP
Consolidated Statement of Financial Position
As at 31 December 2020
(Expressed in Hong Kong dollars)

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties	9	3,131,581	3,251,663
Other property, plant and equipment	9	<u>7,230</u>	<u>14,135</u>
		3,138,811	3,265,798
Long term investments	11	770,638	811,288
Pledged bank deposits	14(a)	–	39,444
Deferred tax assets	20(a)	3,903	5,607
Rental and utility deposits		<u>–</u>	<u>1,785</u>
		<u>3,913,352</u>	<u>4,123,922</u>
Current assets			
Trade and other receivables	12	3,411	1,877
Trading securities	13	177	205
Tax recoverable		2,637	2,571
Pledged bank deposits	14(a)	58,981	–
Cash and cash equivalents	14(a)	<u>3,497</u>	<u>34,066</u>
		<u>68,703</u>	<u>38,719</u>
Current liabilities			
Lease liabilities	15	(2,625)	(5,887)
Trade and other payables	16	(22,504)	(26,633)
Bank borrowings	17	(107,764)	(4,513)
Tax payable		<u>(254)</u>	<u>(149)</u>
		<u>(133,147)</u>	<u>(37,182)</u>
Net current (liabilities)/assets		<u>(64,444)</u>	<u>1,537</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets less current liabilities		<u>3,848,908</u>	<u>4,125,459</u>
Non-current liabilities			
Lease liabilities	15	–	(2,625)
Bank borrowings	17	–	(100,000)
Bonds	18	(365,034)	(401,046)
Deferred tax liabilities	20(a)	<u>(2,136)</u>	<u>(1,484)</u>
		<u>(367,170)</u>	<u>(505,155)</u>
NET ASSETS		<u>3,481,738</u>	<u>3,620,304</u>
Capital and reserves	21		
Share capital		72,560	72,534
Reserves		<u>3,409,178</u>	<u>3,547,770</u>
TOTAL EQUITY		<u>3,481,738</u>	<u>3,620,304</u>

Consolidated Statement of Changes in Equity*For the year ended 31 December 2020**(Expressed in Hong Kong dollars)*

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Contributed surplus	Exchange reserve	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019	74,620	–	836,081	(3,715)	80	153,341	2,618,215	3,678,622
Changes in equity for 2019:								
Loss for the year	–	–	–	–	–	–	(142,354)	(142,354)
Other comprehensive income	–	–	–	636	(30)	112,629	–	113,235
Total comprehensive loss for the year	–	–	–	636	(30)	112,629	(142,354)	(29,119)
Buy-back of issued shares (note 21(f))	(2,086)	–	(27,113)	–	–	–	–	(29,199)
Balance at 31 December 2019 and 1 January 2020	72,534	–	808,968	(3,079)	50	265,970	2,475,861	3,620,304
Changes in equity for 2020:								
Loss for the year	–	–	–	–	–	–	(165,132)	(165,132)
Other comprehensive loss	–	–	–	1,009	(10)	(40,640)	–	(39,641)
Total comprehensive loss for the year	–	–	–	1,009	(10)	(40,640)	(165,132)	(204,773)
Shares issued (note 21(g))	26	880	–	–	–	–	–	906
Modification of bonds	–	–	65,301	–	–	–	–	65,301
Balance at 31 December 2020	<u>72,560</u>	<u>880</u>	<u>874,269</u>	<u>(2,070)</u>	<u>40</u>	<u>225,330</u>	<u>2,310,729</u>	<u>3,481,738</u>

Consolidated Statement of Cash Flows*For the year ended 31 December 2020**(Expressed in Hong Kong dollars)*

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities			
Cash used in operations	14(b)	(3,148)	(13,256)
Purchase of tax reserve certificates		–	(2,050)
Tax (paid)/refund:			
Hong Kong Profits Tax (paid)/refund		(112)	47
Singapore Income Tax paid		<u>(85)</u>	<u>(86)</u>
Net cash used in operating activities		<u>(3,345)</u>	<u>(15,345)</u>
Investing activities			
Payment for purchase of fixed assets		(555)	(671)
Net proceeds from disposal of investment properties		–	9,688
Payment for purchase of investment properties		(2)	(2)
Dividend received from long term investments		10,005	13,216
Interest received		<u>114</u>	<u>1,119</u>
Net cash generated from investing activities		<u>9,562</u>	<u>23,350</u>
Financing activities			
Payment for buy-back of issued shares		–	(27,935)
Proceeds from new bank loans		6,000	23,000
Repayment of bank loans		(2,700)	(33,901)
Capital element of lease rental paid		(5,604)	(5,474)
Interest element of lease rental paid		(149)	(272)
Interest paid		(14,796)	(15,957)
Decrease in pledged bank deposits		<u>(19,537)</u>	<u>(3,792)</u>
Net cash used in financing activities		<u>(36,786)</u>	<u>(64,331)</u>
Net decrease in cash and cash equivalents		<u>(30,569)</u>	<u>(56,326)</u>
Cash and cash equivalents at 1 January		<u>34,066</u>	<u>90,392</u>
Cash and cash equivalents at 31 December	14(a)	<u>3,497</u>	<u>34,066</u>

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31 December 2020**(Expressed in Hong Kong dollars)***1. CORPORATE INFORMATION**

Hong Fok Land International Limited (the “Company”) is a company incorporated and domiciled in Bermuda and has its registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

2. SIGNIFICANT ACCOUNTING POLICIES**a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 2(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting years reflected in these financial statements.

b) Going concern

Notwithstanding the Group’s net current liabilities of approximately HK\$64,444,000 as at 31 December 2020, these financial statements have been prepared on a going concern basis. The condition indicates the existence of a material uncertainty which may cast doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise their assets and discharge their liabilities in the normal course of business. However, in the opinion of the directors of the Company, the liquidity of the Group can be maintained in the coming year as the directors of the Company have taken into consideration of the following facts and circumstances:

- (i) In February 2021, the Group accepted the major terms and conditions of facilities up to the extent of HK\$550,000,000 which stipulated in a letter issued by a bank. The facilities will be used to settle the outstanding indebtedness of the existing facility owing by the Group and for financing the general working capital of the Group.

The directors of the Company consider that taking into account of the above factors, the Group will have sufficient working capital to meet in full their financial obligations as and when they fall due in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group not be able to continue as a going concern.

c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of the Company.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair values as explained in the accounting policies set out below:

- investment properties, including interest in leasehold land and building, held as investment property where the Group is the registered owner of the property interest (see note 2(g)); and
- investments in debt and equity securities (see note 2(f)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

d) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. In particular, the Group has elected to apply the concentration test to an acquisition during the year.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 9(e)). There is no impact on the opening balance of equity at 1 January 2020.

e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions, cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interest either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(l) and 2(m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(iii)).

f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for

which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 22(b). These investments are subsequently accounted for as follows, depending on their classification.

(i) *Investments other than equity investments*

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(iii)).
- fair value through other comprehensive income (“FVOCI”) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (“FVPL”) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) *Equity investments*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(r)(ii).

g) *Investment properties*

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(i).

h) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)).

The cost of self-constructed items of other property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

– Motor vehicles	10 years
– Furniture, equipment and other fixed assets	5 years
– Right-of-use assets	Over the lease term

Where parts of an item of other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value,

less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(h) and 2(j)(iii)), except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2(g).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases: In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

The Group presents right-of-use assets that do not meet the definition of investment property in "other property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(r)(i).

j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, rental deposits and pledged bank deposits);
- debt securities measured at FVOCI (recycling); and
- lease receivables.

Financial assets measured at fair value, including units in equity securities measured at FVPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “**holder**”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- Other property, plant and equipment, including right-of-use assets; and
- Investments in subsidiaries in the Company’s statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(j)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 2(j)(i).

o) Employee benefits**(i) Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of these benefits and when it recognises restructuring costs involving the payment of termination benefits.

(iii) Share-based payments

The fair value of shares allotted to employees is recognised as staff cost with a corresponding increase in share capital and share premium.

p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised directly in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

ii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iii) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

iv) Government grants

Government grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relate to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

u) Related parties

- a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities 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 Group or an entity related to the Group.
 - (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).
 - (viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2 above, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Current taxation and deferred taxation

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The management evaluates tax implication of transactions and tax provision is provided for accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Key sources of estimation uncertainty

Notes 9 and 22 contain information about the assumptions and their risk factors relating to valuation of investment properties and financial instruments. Other key sources of estimation uncertainty are as follows:

a) Depreciation

Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual values. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods are adjusted if there are significant changes from previous estimates.

b) Allowance for impairment of doubtful debts

The Group recognised ECL on trade and other receivables on individual basis. The estimation on ECL is required in assessing probability-weighted estimate of the credit loss within the relevant time band which is based on Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of each reporting period. If there is a significant increase in credit risk on the customers or debtors of the Group since initial recognition, additional ECL may be required.

There were no impairment on trade and other receivables as at 31 December 2020 and 2019 as the management of the Group considers the ECL for trade and other receivables are insignificant.

4. REVENUE

The principal activities of the Group are property investment and management, and securities trading.

Revenue represents the gross rental income from investment properties during the year.

	2020 HK\$'000	2019 HK\$'000
Gross rentals from investment properties in Hong Kong	43,586	49,253
Gross rentals from investment properties in Singapore	1,621	1,710
	<u>45,207</u>	<u>50,963</u>

5. OTHER REVENUE AND OTHER NET LOSS

	2020 HK\$'000	2019 HK\$'000
Other revenue		
Dividend income from long term investments	10,005	13,216
Dividend income from trading securities	10	10
Bank interest income	97	1,129
Government grants (note (i))	1,689	–
Others	1,491	1,313
	<u>13,292</u>	<u>15,668</u>
Other net loss		
Unrealised fair value (loss)/gain on trading securities	(25)	8
Realised fair value loss on trading securities	(1)	(1)
Loss on disposal of investment properties	–	(102)
	<u>(26)</u>	<u>(95)</u>

Note:

- (i) In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of the HKSAR. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total interest expense on financial liabilities not at fair value through profit or loss:		
– Imputed interest on bonds	41,306	39,336
– Interest on bank borrowings	2,832	3,880
– Interest on lease liabilities	149	272
	<u>44,287</u>	<u>43,488</u>

(b) Staff costs (including directors' remuneration)

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributions to defined contribution retirement plan (<i>note 19</i>)	383	425
Equity-settled share-based payment expenses (<i>note 21(g)</i>)	906	–
Salaries, wages and other benefits	29,615	29,380
	<u>30,904</u>	<u>29,805</u>

(c) Net valuation loss on investment properties

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net valuation loss on investment properties	<u>121,044</u>	<u>98,801</u>

(d) Other items

	2020 HK\$'000	2019 HK\$'000
Depreciation charge:		
– owned other property, plant and equipment	1,638	1,600
– right-of-use assets	<u>5,823</u>	<u>5,543</u>
	<u>7,461</u>	<u>7,143</u>
Auditors' remuneration		
– audit services	622	603
– tax services	<u>34</u>	<u>10</u>
	<u>656</u>	<u>613</u>
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	202	636
Expense relating to leases of low-value assets	16	17
COVID-19-related rent concessions received	(283)	–
Rentals receivable from investment properties less direct outgoings of HK\$8,168,000 (2019: HK\$17,534,000)	<u>(37,039)</u>	<u>(33,429)</u>

7. INCOME TAX

a) Taxation in the consolidated statement of profit or loss represents:

	2020 HK\$'000	2019 HK\$'000
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	----- 46	----- 667
Current tax – Singapore Income Tax		
Provision for the year	180	121
Under-provision/(Over-provision) in respect of prior years	<u>5</u>	<u>(24)</u>
	----- 185	----- 97
Deferred tax		
Origination and reversal of temporary differences (<i>note 20(a)</i>)	----- 2,356	----- (268)
Income tax expenses	<u>2,587</u>	<u>496</u>

No provision for Hong Kong Profits Tax is provided for as the Group did not have estimated assessable profits arising in Hong Kong for the years ended 31 December 2020 and 2019.

The provision for Singapore Income Tax is calculated at 17% of the estimated assessable profits arising in Singapore during the years ended 31 December 2020 and 2019.

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b) Reconciliation between tax expenses and accounting loss at applicable tax rates:

	2020 HK\$'000	2019 HK\$'000
Loss before taxation	(162,545)	(141,858)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the jurisdictions concerned	(26,860)	(23,400)
Tax effect of non-deductible expenses	27,509	23,642
Tax effect of non-taxable income	(1,947)	(2,564)
Tax effect of temporary differences not recognised	1,614	27
Tax effect of unused tax losses not recognised	2,311	2,130
Under-provision in prior years	50	643
Others	(90)	18
Actual tax expenses	2,587	496

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 HK\$'000	2019 HK\$'000
Directors' fees	310	310
Salaries, allowances and benefits in kind	8,222	9,193
Retirement scheme contributions	22	36
	8,554	9,539

9. INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT

	Other property, plant and equipment					
	Other properties leased for own use carried at cost HK\$'000	Motor Vehicles HK\$'000	Furniture, equipment, and other fixed assets HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
At 1 January 2019	13,172	3,615	14,190	30,977	3,349,797	3,380,774
Additions	744	–	671	1,415	2	1,417
Disposals	–	–	(252)	(252)	–	(252)
Fair value adjustment	–	–	–	–	(98,801)	(98,801)
Exchange adjustment	–	–	1	1	665	666
At 31 December 2019	13,916	3,615	14,610	32,141	3,251,663	3,283,804
Representing:						
Cost	13,916	3,615	14,610	32,141	–	32,141
Valuation – 2019	–	–	–	–	3,251,663	3,251,663
	13,916	3,615	14,610	32,141	3,251,663	3,283,804

	Other property, plant and equipment					
	Other properties leased for own use carried at cost HK\$'000	Motor Vehicles HK\$'000	Furniture, equipment, and other fixed assets HK\$'000	Sub-total HK\$'000	Investment properties HK\$'000	Total HK\$'000
At 1 January 2020	13,916	3,615	14,610	32,141	3,251,663	3,283,804
Additions	–	–	555	555	2	557
Disposals	–	–	(150)	(150)	–	(150)
Fair value adjustment	–	–	–	–	(121,044)	(121,044)
Exchange adjustment	–	–	3	3	960	963
At 31 December 2020	13,916	3,615	15,018	32,549	3,131,581	3,164,130
Representing:						
Cost	13,916	3,615	15,018	32,549	–	32,549
Valuation – 2020	–	–	–	–	3,131,581	3,131,581
	<u>13,916</u>	<u>3,615</u>	<u>15,018</u>	<u>32,549</u>	<u>3,131,581</u>	<u>3,164,130</u>
At 1 January 2019	–	1,541	9,568	11,109	–	11,109
Charge for the year	5,543	325	1,275	7,143	–	7,143
Written back on disposals	–	–	(247)	(247)	–	(247)
Exchange adjustment	–	–	1	1	–	1
At 31 December 2019	<u>5,543</u>	<u>1,866</u>	<u>10,597</u>	<u>18,006</u>	<u>–</u>	<u>18,006</u>
At 1 January 2020	5,543	1,866	10,597	18,006	–	18,006
Charge for the year	5,823	325	1,313	7,461	–	7,461
Written back on disposals	–	–	(150)	(150)	–	(150)
Exchange adjustment	–	–	2	2	–	2
At 31 December 2020	<u>11,366</u>	<u>2,191</u>	<u>11,762</u>	<u>25,319</u>	<u>–</u>	<u>25,319</u>
Carrying amount:						
At 31 December 2020	<u>2,550</u>	<u>1,424</u>	<u>3,256</u>	<u>7,230</u>	<u>3,131,581</u>	<u>3,138,811</u>
At 31 December 2019	<u>8,373</u>	<u>1,749</u>	<u>4,013</u>	<u>14,135</u>	<u>3,251,663</u>	<u>3,265,798</u>

a) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

Recurring fair value measurements

	Fair value measurement as at 31 December 2020 categorised into				Fair value measurement as at 31 December 2019 categorised into			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investment properties								
– in Hong Kong	–	–	3,043,480	3,043,480	–	–	3,154,900	3,154,900
– in Singapore	–	–	88,101	88,101	–	–	96,763	96,763
	–	–	3,131,581	3,131,581	–	–	3,251,663	3,251,663

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2020 by the following independent firms of property valuers:

Name of valuer	Location of properties
Savills Valuation and Professional Services Limited (2019: same)	Hong Kong
Savills Valuation and Professional Services (S) Pte. Ltd. (2019: Same)	Singapore

The above property valuers have among their staff members of the Hong Kong Institute of Surveyors or the Singapore Institute of Surveyors and Valuers with recent experience in the location and category of property being valued. The management has discussion with the property valuers on the valuation assumptions and valuation results when the valuation is performed at the end of the reporting period.

The fair values of the Group's Investment properties located in Hong Kong and Singapore are determined using open market value basis by reference to recent market transactions of comparable properties using market data which is publicly available.

Under the Direct Comparison Method, the market value of the property is assessed having regard to transactions of comparable properties within the vicinity and elsewhere. Prevailing market conditions were considered and due adjustments were made to account for differences in terms of location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions, etc. and other factors affecting its value.

(ii) *Information about Level 3 fair value measurements*

The following table shows the key unobservable inputs used in the valuation models.

<u>Investment Properties</u>	<u>Key Unobservable Inputs</u>	<u>Inter-Relationship Between Key Unobservable Inputs and Fair Value Measurement</u>
Leasehold Properties		
Singapore		
Direct comparison method	<ul style="list-style-type: none"> Price per square feet (“psf”): HK\$5,848 to HK\$10,825 (2019: HK\$6,188 to HK\$11,797) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> price per square feet was higher (lower) for higher quality buildings and lease terms.
Hong Kong		
Direct comparison method	<ul style="list-style-type: none"> Prices psf: HK\$25,321 to HK\$37,793 (2019: HK\$26,169 to HK\$39,066) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> price per square feet was higher (lower).
Car parking spaces		
Hong Kong		
Direct comparison method	<ul style="list-style-type: none"> Price per space: HK\$180,000 to HK\$1,800,000 (2019: HK\$200,000 to HK\$2,000,000) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> price per space was higher (lower).

The movements of investment properties during the period in the balance of these Level 3 fair value measurements are as follows.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	3,251,663	3,349,797
Additions arising from subsequent expenditure	2	2
Fair value adjustment	(121,044)	(98,801)
Exchange adjustment	960	665
	<u>3,131,581</u>	<u>3,251,663</u>
At 31 December	<u>3,131,581</u>	<u>3,251,663</u>

Fair value adjustment of investment properties is recognised in the line item “net valuation loss on investment properties” on the face of the consolidated statement of profit or loss.

b) The analysis of the lease terms of the above investment properties carried at fair value is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
In Hong Kong – long leases	3,043,480	3,154,900
In Singapore – long leases	88,101	96,763
	<u>3,131,581</u>	<u>3,251,663</u>

- c) As at 31 December 2020, investment properties with a total carrying amount of approximately HK\$3,108,722,000 (2019: HK\$3,226,821,000) were pledged as collateral for the Group's bank borrowings. Details of the borrowings are set out in note 17.
- d) The Group leased out investment properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every year to reflect market rentals. None of the leases included contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	20,574	23,951
After 1 year but within 5 years	5,925	1,372
	<u>26,499</u>	<u>25,323</u>

e) **Right-of-use assets**

As at 31 December 2020, the net book value of right-of-use assets was approximately HK\$2,550,000 (2019: HK\$8,373,000) which comprise the other properties leased for own use.

The analysis of expenses items in relation to leases recognised in profit or loss is as follows:

	2020 HK\$'000	2019 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	<u>5,823</u>	<u>5,543</u>
Interest on lease liabilities (<i>note 6(a)</i>)	149	272
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	202	636
Expense relating to leases of low-value assets	16	17
COVID-19-related rent concessions received	<u>(283)</u>	<u>—</u>

During the year, the Group has no additions to right-of-use assets (2019: additions approximately HK\$744,000). This amount primarily related to the capitalised lease payments payable under a new tenancy agreement.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 14(d) and 15, respectively.

f) **Other properties leased for own use**

The Group has obtained the right to use other properties as its office and warehouse through tenancy agreements. The leases typically run for an initial period of 2 to 3 years. Lease payments are fixed over the lease period. None of the leases includes variable lease payments nor option to renew the lease.

10. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31 December 2020.

Name of the company	Place of incorporation	Particulars of issued and paid up capital	Proportion of ownership interests held by the Company		Principal activity
			Direct	Indirect	
Allied Crown Limited	Hong Kong	2 ordinary shares	–	100%	Provision of project management services and securities trading
Asian Vision Limited	Hong Kong	2 ordinary shares	–	100%	Provision of management services
Bossiney Limited	Hong Kong	98 ordinary shares and 2 non-voting deferred shares	–	100%	Property investment
Giant Yield Limited	Hong Kong	98 ordinary shares and 2 non-voting deferred shares	–	100%	Property investment
Hong Fok Land Asia Limited	British Virgin Islands	102 ordinary shares of US\$1 each	100%	–	Investment holding
Hong Fok Land Assets Pte. Ltd.	Republic of Singapore (“Singapore”)	2 ordinary shares of S\$1 each	–	100%	Property investment
Hong Fok Land Holding Limited	Hong Kong	10,500,000 ordinary shares	–	100%	Investment holding
Hong Fok Land Investment Limited	Hong Kong	1,143,724,986 ordinary shares	–	100%	Investment holding and provision of management services
Hugoton Limited	Hong Kong	98 ordinary shares and 2 non-voting deferred shares	–	100%	Property investment
King Dynasty Limited	British Virgin Islands	76 ordinary share of US\$1 each	–	100%	Property investment
Magazine Gap Property Management Limited	Hong Kong	2 ordinary shares	–	100%	Provision of property management services
Winfoong Land Limited	Hong Kong	2 ordinary shares	–	100%	Investment holding

11. LONG TERM INVESTMENTS

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
Financial assets measured at FVOCI (non-recycling)		
– Equity security listed in Singapore (<i>note (i)</i>)	770,318	810,958
Financial assets measured at FVOCI (recycling)		
– Unlisted debt security	320	330
	<u>770,638</u>	<u>811,288</u>

Note:

- (i) The equity security listed in Singapore represents the equity interest of approximately 21.02% (2019: 20.67%) in Hong Fok Corporation Limited (“HFC”), which was incorporated in Singapore with its shares listed on the Singapore Exchange Securities Trading Limited, held by the Group at the end of reporting period.

At 31 December 2020, HFC has indirect interest of approximately 43.53% (2019: 43.54%) of the issued share capital of the Company. Although HFC owns less than half of the voting power of the Company, the directors of the Company consider HFC has de facto control over the Company as a result of adoption of HKFRS 10 and therefore to be the ultimate controlling party of the Company.

12. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade debtors	–	239
Other debtors	427	400
	<u>427</u>	<u>400</u>
Loans and receivables	427	639
Deposits and prepayments	2,984	1,238
	<u>3,411</u>	<u>1,877</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group’s credit policy is set out in note 22(a)(i).

13. TRADING SECURITIES

	2020 HK\$'000	2019 HK\$'000
Listed equity securities at FVPL in Hong Kong	<u>177</u>	<u>205</u>

14. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

a) Cash and cash equivalents comprise:

	2020 HK\$'000	2019 HK\$'000
Cash at banks and other financial institutions	62,459	42,881
Cash in hand	19	19
Short-term deposits with banks	—	30,610
	<u>62,478</u>	<u>73,510</u>
Less: Pledged bank deposits for bank borrowings	<u>(58,981)</u>	<u>(39,444)</u>
Cash and cash equivalents	<u>3,497</u>	<u>34,066</u>
Pledged bank deposits analysed for reporting purposes as:		
– Non-current assets	—	39,444
– Current assets	<u>58,981</u>	<u>—</u>

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group and will be released upon the settlement of relevant bank borrowings. The pledged bank deposits are classified for reporting purposes in accordance to the maturity dates of the borrowings.

b) Reconciliation of loss before taxation to cash used in operations:

	Note	2020 HK\$'000	2019 HK\$'000
Loss before taxation		(162,545)	(141,858)
Adjustments for:			
Net valuation loss on investment properties	6(c)	121,044	98,801
Depreciation of other property, plant and equipment	6(d)	7,461	7,143
Dividend income from long term investments	5	(10,005)	(13,216)
Unrealised fair value loss/(gain) on trading securities	5	25	(8)
Finance costs	6(a)	44,287	43,488
Interest income	5	(97)	(1,129)
Loss of disposal of investment properties	5	—	102
Equity-settled share-based payment expenses	6(b)	906	—
COVID-19 related rent concessions received	6(d)	(283)	—
Net foreign exchange loss		14	103
Changes in working capital:			
Decrease/(increase) in trade and other receivables		128	(479)
Decrease in rental and utility deposits		106	42
Decrease in trading securities		3	7
Decrease in trade and other payables		<u>(4,192)</u>	<u>(6,252)</u>
Cash used in operations		<u>(3,148)</u>	<u>(13,256)</u>

c) Reconciliation of liabilities/(assets) arising from financing activities:

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

	Bank borrowings	Bonds	Lease liabilities	Total	Pledged bank deposits
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 17)</i>	<i>(Note 18)</i>			
At 1 January 2020	104,513	401,046	8,512	514,071	(39,444)
Changes from financing cash flows:					
Increase in pledged bank deposits	–	–	–	–	(19,537)
Proceeds from new bank loans	6,000	–	–	6,000	–
Repayment of bank loans	(2,700)	–	–	(2,700)	–
Other borrowing costs paid	(2,844)	(11,952)	–	(14,796)	–
Capital element of lease rentals paid	–	–	(5,604)	(5,604)	–
Interest element of lease rentals paid	–	–	(149)	(149)	–
Total changes from financing cash flows	456	(11,952)	(5,753)	(17,249)	(19,537)
Exchange adjustment	(48)	–	–	(48)	–
Deemed capital contribution	–	(65,301)	–	(65,301)	–
Other changes:					
Interest expenses (<i>note 6(a)</i>)	2,832	41,306	149	44,287	–
Transfer from/(to) interest payables	11	(65)	–	(54)	–
COVID-19 related rent concessions received	–	–	(283)	(283)	–
Total other changes	2,843	41,241	(134)	43,950	–
At 31 December 2020	<u>107,764</u>	<u>365,034</u>	<u>2,625</u>	<u>475,423</u>	<u>(58,981)</u>

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	Bank borrowings	Bonds	Lease liabilities	Total	Pledged bank deposits
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 17)</i>	<i>(Note 18)</i>			
At 1 January 2019	115,272	373,727	13,242	502,241	(35,652)
Changes from financing cash flows:					
Increase in pledged bank deposits	–	–	–	–	(3,792)
Proceeds from new bank loans	23,000	–	–	23,000	–
Repayment of bank loans	(33,901)	–	–	(33,901)	–
Other borrowing costs paid	(3,874)	(12,083)	–	(15,957)	–
Capital element of lease rentals paid	–	–	(5,474)	(5,474)	–
Interest element of lease rentals paid	–	–	(272)	(272)	–
Total changes from financing cash flows	<u>(14,775)</u>	<u>(12,083)</u>	<u>(5,746)</u>	<u>(32,604)</u>	<u>(3,792)</u>
Exchange adjustment	<u>141</u>	<u>–</u>	<u>–</u>	<u>141</u>	<u>–</u>
Other changes:					
Increase in lease liabilities from entering into new lease during the period	–	–	744	744	–
Interest expenses (<i>note 6(a)</i>)	3,880	39,336	272	43,488	–
Transfer from/(to) interest payables	<u>(5)</u>	<u>66</u>	<u>–</u>	<u>61</u>	<u>–</u>
Total other changes	<u>3,875</u>	<u>39,402</u>	<u>1,016</u>	<u>44,293</u>	<u>–</u>
At 31 December 2019	<u>104,513</u>	<u>401,046</u>	<u>8,512</u>	<u>514,071</u>	<u>(39,444)</u>

d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within operating cash flow	90	509
Within financing cash flow	<u>5,753</u>	<u>5,746</u>
	<u>5,843</u>	<u>6,255</u>

These amounts relate to the following:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease rentals paid	<u>5,843</u>	<u>6,255</u>

15. LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 year	2,625	5,887
After 1 year but within 2 years	<u>—</u>	<u>2,625</u>
	<u>2,625</u>	<u>8,512</u>

16. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade creditors	811	1,807
Other creditors and accrued charges	<u>13,836</u>	<u>14,805</u>
Financial liabilities measured at amortised cost	14,647	16,612
Deposits received	<u>7,857</u>	<u>10,021</u>
	<u>22,504</u>	<u>26,633</u>

All of the trade and other payables are expected to be settled within one year.

17. BANK BORROWINGS

At the end of each reporting period, the bank borrowings were repayable as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying amount repayable*:		
Within 1 year or on demand	107,764	2,773
After 1 year but within 2 years	<u>—</u>	<u>101,740</u>
	<u>107,764</u>	<u>104,513</u>

* The amounts due are based on schedule repayment dates as stipulated in respective loan agreements and ignore the effect of any repayment on demand clause.

At the end of each reporting period, the bank borrowings were secured as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Secured	<u>107,764</u>	<u>104,513</u>

The analysis of the carrying amount of the bank borrowings is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year or on demand	107,764	2,773
Carrying amount of bank borrowings that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause	<u>–</u>	<u>1,740</u>
Amounts shown under current liabilities	107,764	4,513
Amounts shown under non-current liabilities	<u>–</u>	<u>100,000</u>
	<u>107,764</u>	<u>104,513</u>

None of the portion of the bank borrowings due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

As at 31 December 2020, the banking facilities of certain subsidiaries were secured by:

- i) fixed charges over certain of the Group's investment properties situated in Hong Kong with an aggregate carrying value of approximately HK\$3,030,000,000 (2019: HK\$3,140,000,000);
- ii) assignment of insurance, proceeds from rental and disposal of the aforementioned properties in Hong Kong;
- iii) a first legal mortgage over certain of the Group's investment properties situated in Singapore with an aggregate carrying value of approximately HK\$78,722,000 (2019: HK\$86,821,000);
- iv) an assignment of all rights, titles and benefits under existing and future tenancy agreements and rental income to the aforementioned properties in Singapore;
- v) charges over certain of the Group's bank deposits of approximately HK\$58,981,000 (2019: HK\$39,444,000) for the purpose of assignment of proceeds from rental and disposal of the aforementioned properties in Hong Kong and issued shares of certain wholly-owned subsidiaries of the Company;
- vi) subordination and assignment of intra-group and shareholders' loans to certain wholly-owned subsidiaries of the Company in favour of the banks;
- vii) floating charges over the assets of Hugoton Limited, Bossiney Limited and Giant Yield Limited, wholly-owned subsidiaries of the Company; and
- viii) corporate guarantees put up by the Company.

For the year ended 31 December 2020, the effective interest rates for bank borrowings ranged from 1.50% to 4.41% (2019: 2.70% to 4.41%) per annum.

18. BONDS

	Bond IV <i>HK\$'000</i> <i>(note (ii))</i>	Bond V <i>HK\$'000</i> <i>(note (iii))</i>	Total <i>HK\$'000</i>
Balance at 1 January 2019	373,727	–	373,727
Imputed interests	39,336	–	39,336
Reclassification of interest payable to accruals	(12,017)	–	(12,017)
Balance at 31 December 2019	<u>401,046</u>	<u>–</u>	<u>401,046</u>
Balance at 1 January 2020	401,046	–	401,046
Imputed interests	30,910	10,396	41,306
Reclassification of interest payable to accruals	(8,800)	(3,217)	(12,017)
Modification of bonds	(423,156)	357,855	(65,301)
Balance at 31 December 2020	<u>–</u>	<u>365,034</u>	<u>365,034</u>

Note:

- (i) In prior years, the Company issued bonds in aggregate principal amounts of HK\$342,000,000 (“Bond I”), HK\$84,000,000 (“Bond II”) and HK\$11,000,000 (“Bond III”), totalling HK\$437,000,000 on 9 March 2016, 22 April 2016 and 13 June 2017 respectively, of which HK\$190,000,000 were subscribed by the immediate parent, HK\$195,000,000 were subscribed by substantial shareholders of the Company and the remaining was subscribed by other shareholder of the Company.

The bonds are non-convertible, unsecured, bearing interest rate of 2.75% per annum payable annually in arrears and will mature on 9 March 2019. The Company may at any time before the maturity date redeem the bonds in whole or in part of principal amounts together with payment of accrued interests by giving not less than 10 days’ written notice.

The directors of the Company considered that the excess of approximately HK\$20,866,000, arising from the subscription amount of HK\$437,000,000 over the fair value of approximately HK\$416,134,000 shall be accounted for as deemed capital contribution from the shareholders and recorded as a transaction with owners and credited to the contributed surplus. In this connection, the Group recognised the amounts of approximately HK\$96,000 and approximately HK\$20,770,000 as deemed capital contribution during the years ended 31 December 2017 and 2016, respectively.

- (ii) During the year ended 31 December 2018, the maturity date of Bond I, Bond II and Bond III has been extended from 9 March 2019 to 9 March 2021; other terms of the bonds remain unchanged. On 9 March 2018, the Company issued new bonds in aggregate principal amounts of HK\$437,000,000 with the extended maturity date (“Bond IV”) to supersede Bond I, Bond II and Bond III (“First Modification of bonds”). The directors of the Company considered that the excess of approximately HK\$76,345,000, arising from the carrying amounts of approximately HK\$429,629,000 over the fair value of approximately HK\$353,284,000 at the date of First Modification of bonds shall be accounted for as deemed capital contribution from shareholders and recorded as a transaction with owners and credited to the contributed surplus.

- (iii) During the year ended 31 December 2020, the maturity date of Bond IV has been extended from 9 March 2021 to 9 March 2023 and the interest rate has been adjusted from 2.75% to 2% per annum from 9 March 2021 thereafter, other terms of bonds remain unchanged. On 25 September 2020, the Company issued new bonds in aggregate principal amounts of HK\$437,000,000 with the extended maturity date ("Bond V") to supersede Bond IV ("Second Modification of bonds"). The directors of the Company considered that the excess of approximately HK\$65,301,000, arising from the carrying amounts of approximately HK\$423,156,000 over the fair value of approximately HK\$357,855,000 at the date of Second Modification of bonds should be accounted for as deemed capital contribution from shareholders and recorded as a transaction with owners and credited to the contributed surplus.
- (iv) The fair values of Bond I, Bond II, Bond III, Bond IV and Bond V at the date of issuance were approximately HK\$327,293,000, HK\$77,937,000, HK\$10,904,000, HK\$353,284,000 and HK\$357,855,000 respectively, which were determined by BMI Appraisals Limited, an independent qualified valuer not connected to the Group. Valuations were made on the basis of Hull White Interest Rate Model which is a method of calculating the fair value of a financial liability and redemption option of the bonds with the following assumptions.

	Bond I	Bond II	Bond III	Bond IV	Bond V
Expected life	3.00 years	2.88 years	1.74 years	3.00 years	2.45 years
Expected volatility	1.33%	1.28%	0.83%	0.60%	0.72%
Mean reversion rate	0.171	0.199	0.197	0.028	0.127

The fair value measurement of bonds is categorised within the level 3 of fair value hierarchy as they are private placements.

Bond I, Bond II, Bond III, Bond IV and Bond V are subsequently measured at amortised cost using effective interest method by applying the effective interest rates of 4.31%, 5.53%, 3.28%, 10.52% and 10.94% respectively.

The directors of the Company consider that the fair values of the issuer's redemption options were insignificant on the initial recognition and at 31 December 2020 and 2019.

- (v) On 1 March 2021, the Company has given notice to the bondholders that the Bond V in an aggregate principal amount of HK\$80,000,000 to be redeemed on 12 March 2021, such that the outstanding principal amount of the Bond V after redemption would be HK\$357,000,000.

19. DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000 (2019: HK\$30,000). Contributions to the plan vest immediately.

20. DEFERRED TAXATION

- a) The component of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax assets and liabilities recognised

	Depreciation allowances in excess of the related depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax liabilities/(assets) arising from:			
At 1 January 2019	8,299	(12,154)	(3,855)
Charged/(credited) to profit or loss (<i>note 7(a)</i>)	<u>894</u>	<u>(1,162)</u>	<u>(268)</u>
At 31 December 2019	<u>9,193</u>	<u>(13,316)</u>	<u>(4,123)</u>
At 1 January 2020	9,193	(13,316)	(4,123)
Charged/(credited) to profit or loss (<i>note 7(a)</i>)	<u>879</u>	<u>1,477</u>	<u>2,356</u>
At 31 December 2020	<u>10,072</u>	<u>(11,839)</u>	<u>(1,767)</u>

Reconciliation to the consolidated statement of financial position:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	(3,903)	(5,607)
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>2,136</u>	<u>1,484</u>
	<u>(1,767)</u>	<u>(4,123)</u>

b) Deferred tax assets of the Group not recognised

In accordance with the accounting policy set out in note 2(p), at 31 December 2020, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$585,959,000 (2019: HK\$571,937,000) as it is not probable that future taxable profits will be available against which the tax losses can be utilised in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

As at 31 December 2020, tax losses of approximately HK\$207,567,000 (2019: HK\$203,221,000) were not agreed by the relevant tax authority. The directors of the Company are of the view that the Group has a ground to rebut the aforesaid decision and will take necessary action in due course.

c) Deferred tax liabilities of the Group not recognised

The Group had no significant potential deferred tax liabilities as at 31 December 2020 and 2019.

21. CAPITAL AND RESERVES

a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK\$'000	Share premium HK\$'000	The Company Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 January 2019	74,620	–	1,754,067	(82,009)	1,746,678
Total comprehensive loss for the year	–	–	–	(40,555)	(40,555)
Buy-back of issued shares (note (f))	(2,086)	–	(27,113)	–	(29,199)
Balance at 31 December 2019	72,534	–	1,726,954	(122,564)	1,676,924
Balance at 1 January 2020	72,534	–	1,726,954	(122,564)	1,676,924
Total comprehensive loss for the year	–	–	–	(42,750)	(42,750)
Shares issued	26	880	–	–	906
Modification of bonds	–	–	65,301	–	65,301
Balance at 31 December 2020	72,560	880	1,792,255	(165,314)	1,700,381

b) Share capital

	Number of shares	Nominal value HK\$'000
<i>Ordinary shares of HK\$0.05 each</i>		
Authorised		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	2,000,000,000	100,000
Issued and fully paid		
At 1 January 2019,	1,492,410,986	74,620
Buy-back of issued shares	(41,730,585)	(2,086)
At 31 December 2019 and 1 January 2020	1,450,680,401	72,534
Shares issued	510,000	26
At 31 December 2020	1,451,190,401	72,560

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

c) Nature and purpose of reserves**i) Contributed surplus**

The contributed surplus of approximately HK\$738,870,000 that had arisen in prior years as a result of a group reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation and the then combined net asset value of the subsidiaries acquired.

The contributed surplus of approximately HK\$20,866,000 that had arisen in prior years represented the excess of subscription amount of bonds subscribed by the immediate parent and other shareholders of the Company over the fair value of bonds (note 18).

The contributed surplus of approximately HK\$141,646,000 that had arisen in 2018 and 2020 represented the difference between the carrying amounts and the fair value of bonds at the dates of modification of bonds (note 18).

The debit of contributed surplus of approximately HK\$27,113,000 that had arisen in 2019 represented the difference between the aggregation consideration paid (including relevant expenses) and the nominal value of the shares cancelled upon the arrangement of buy-back of issued shares in 2019.

According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances. The Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

iii) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(f)).

iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2(f)).

v) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981.

d) Distributable reserves

At 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK\$1,626,941,000 (2019: HK\$1,604,390,000).

e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, net debt is defined as total debt (which includes interest-bearing borrowings and bonds, lease liabilities and financial liabilities) less cash and cash equivalents and pledged bank deposits. Capital comprises all components of equity.

During the year ended 31 December 2020, the Group's strategy, which was unchanged from prior year, was to maintain the net debt-to-capital ratio at below 60%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group adjusted net debt-to-capital ratio at 31 December 2020 and 2019 was as follows:

	Note	2020 HK\$'000	2019 HK\$'000
Current liabilities			
– Lease liabilities	15	2,625	5,887
– Financial liabilities included in trade and other payables	16	14,647	16,612
– Bank borrowings	17	107,764	4,513
Non-current liabilities			
– Lease liabilities	15	–	2,625
– Bank borrowings	17	–	100,000
– Bonds	18	365,034	401,046
Total debts		490,070	530,683
Less: Cash and cash equivalents	14(a)	(3,497)	(34,066)
Less: Pledged bank deposits	14(a)	(58,981)	(39,444)
Net debt		<u>427,592</u>	<u>457,173</u>
Capital		<u>3,481,738</u>	<u>3,620,304</u>
Net debt-to-capital ratio		<u>12%</u>	<u>13%</u>

As imposed by bank loan agreements between the banks and certain subsidiaries of the Company, the Group is required to maintain (i) the Consolidated Tangible Net Worth not less than HK\$1,000 million and (ii) consolidated net total interest bearing debts not exceed 80% of the Consolidated Tangible Net Worth at any time. For the purpose of these capital requirement, "Consolidated Tangible Net Worth" is defined as the consolidated net assets less the intangible assets and non-controlling interests.

Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

f) Buy-back of issued shares

During the year ended 31 December 2019, the Company repurchased 41,730,585 of its own ordinary shares from shareholders with an aggregate consideration of approximately HK\$22,952,000 before related expenses. The repurchased shares were subsequently cancelled. The shares were acquired at a price at HK\$0.55 per share. Related expenses of approximately HK\$6,247,000 directly attributable to the buy-back of issued shares were charged to contributed surplus.

g) Shares issued

During the year ended 31 December 2020, the Company allotted 510,000 shares to certain employees as staff cost. The fair value of shares allotted to employees is recognised in profit or loss with a corresponding increase in share capital and share premium. The fair value of services received in return for shares allotted is measured by reference to the fair value of the shares allotted. The estimate of fair value of the shares of the Company is measured based on adjusted net assets value.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**a) Financial risk factor**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its long term investments and trading securities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, cash at banks and pledged bank deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group monitors closely the credit ratings of these counterparties and will take appropriate action when their credit ratings change.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. The Group grants a credit period of not more than 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentration of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group have no significant concentration of credit risk.

The Group measures loss allowances for trade and other receivables at an amount equal to lifetime ECLs. To measure the ECL, trade and other receivables have been assessed individually. In addition, the directors of the Company are of the opinion that there was no default occurred on trade and other receivables and the balances are still considered fully recoverable due to the management's historical experience on the settlement pattern or record from these debtors. Base on the assessment by the directors of the Company, the ECL for trade and other receivables are insignificant as at 31 December 2020 and 2019 and thus no impairment loss allowance was recognised.

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

The following table provides information about the Group's exposure to credit risk for trade receivables as at 31 December 2020 and 2019:

	Gross carrying amount	
	2020	2019
	HK\$'000	HK\$'000
Current (not past due)	—	239

ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period) and the earliest date the Group can be required to pay:

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the bank was to invoke its unconditional rights to call the loan with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Contractual undiscounted cash flow				Carrying amount at 31 December
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2020					
Bank borrowings subject to a repayment on demand clause	1,764	—	—	1,764	1,764
Other bank borrowings	107,292	—	—	107,292	106,000
Bonds	2,206	8,740	445,740	456,686	365,034
Financial liabilities included in trade and other payables	14,647	—	—	14,647	14,647
Lease liabilities	2,643	—	—	2,643	2,625
	<u>128,552</u>	<u>8,740</u>	<u>445,740</u>	<u>583,032</u>	<u>490,070</u>

	Contractual undiscounted cash flow				Carrying amount at 31 December HK\$'000
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000	
2019					
Bank borrowings subject to a repayment on demand clause	4,513	–	–	4,513	4,513
Other bank borrowings	3,886	102,749	–	106,635	100,000
Bonds	2,272	449,018	–	451,290	401,046
Financial liabilities included in trade and other payables	16,612	–	–	16,612	16,612
Lease liabilities	6,035	2,643	–	8,678	8,512
	<u>33,318</u>	<u>554,410</u>	<u>–</u>	<u>587,728</u>	<u>530,683</u>

The following table summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis contained in the above table. Taking into account the Group’s financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments

	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash outflows HK\$'000
2020	1,773	–	–	–	1,773
2019	2,870	1,758	–	–	4,628

iii) Interest rate risk

The Group’s interest rate risk arises primarily from cash and cash equivalents, pledged bank deposits and bank borrowings. The Group does not anticipate significant impact to cash and cash equivalents and the pledged bank deposits because the interest rates of bank deposits are not expected to change significantly. The interest rates and maturity information of the Group’s bank borrowings are disclosed in note 17. Bank borrowings with variable interest rates expose the Group to cash flow interest rate risk.

Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 1 percentage point (2019: 1 percentage point) in interest rates, with all other variables held constant, would decrease/increase the Group's result after tax and retained profits by approximately HK\$900,000 (2019: HK\$873,000). Other components of consolidated equity would not be affected (2019: Nil) by changes in interest rates.

The sensitivity analyses above indicates that the impact on the Group's result after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period. The analysis is performed on the same basis for the year ended 31 December 2019.

iv) Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group's exposure to currency risk is insignificant.

v) Equity price risk

The Group is exposed to equity price changes mainly arising from equity security classified as financial assets measured at FVOCI (non-recycling) (see note 11) and trading securities (see note 13).

The Group's equity investments are listed in Hong Kong and Singapore. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to industry indicators, as well as the Group's liquidity needs. Listed investment classified as financial assets measured at FVOCI (non-recycling) have been chosen based on their longer term growth potential.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

At 31 December 2020, it is estimated that 10% (2019: 10%) increase/(decrease) in the price of the respective equity security classified as financial assets measured at FVOCI (non-recycling) in the relevant stock market, with all other variables held constant, would have increased/decreased in the Group's fair value reserve (non-recycling) by approximately HK\$77,032,000 (2019: HK\$81,096,000).

At 31 December 2020, it is estimated that 10% (2019: 10%) increase/(decrease) in the prices of the respective trading securities in the relevant stock market, with all other variables held constant, would have increased/decreased in the Group's profit after tax and retained profits by approximately HK\$15,000 (2019: HK\$17,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and other components of consolidated equity that would arise assuming that the changes in the stock market index had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for the year ended 31 December 2019.

At 31 December 2020, the Group has concentration of equity price risk on its equity security classified as financial assets measured at FVOCI (non-recycling) and trading securities as the Group only held two (2019: three) listed equity securities in its investment portfolio. The Group's equity security classified as financial assets measured at FVOCI (non-recycling) and trading securities are exposed to equity price risk due to the fluctuation of prices of the listed equity securities in the relevant stock markets.

b) Fair value measurement

i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Recurring fair value measurements

	Fair value measurements as at 31 December 2020 categorised into				Fair value measurements as at 31 December 2019 categorised into			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Long term investments	770,638	–	–	770,638	811,288	–	–	811,288
Trading securities	177	–	–	177	205	–	–	205
	<u>770,815</u>	<u>–</u>	<u>–</u>	<u>770,815</u>	<u>811,493</u>	<u>–</u>	<u>–</u>	<u>811,493</u>

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

23. COMMITMENTS

Capital commitments outstanding at 31 December 2020 and 2019 not provided for in the consolidated financial statements were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracted for		
– redevelopment cost of investment properties	<u>3,018</u>	<u>3,018</u>

24. COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current asset		
Investment in a subsidiary	<u>1,732,357</u>	<u>1,731,477</u>
Current assets		
Due from subsidiaries	365,780	379,356
Other receivables	261	254
Cash and cash equivalents	<u>124</u>	<u>99</u>
	<u>366,165</u>	<u>379,709</u>
Current liabilities		
Due to subsidiaries	(23,000)	(23,000)
Other payables	<u>(10,107)</u>	<u>(10,216)</u>
	<u>(33,107)</u>	<u>(33,216)</u>
Net current assets	<u>333,058</u>	<u>346,493</u>
Non-current liability		
Bonds	<u>(365,034)</u>	<u>(401,046)</u>
NET ASSETS	<u>1,700,381</u>	<u>1,676,924</u>
Capital and reserves		
Share capital	72,560	72,534
Reserves	<u>1,627,821</u>	<u>1,604,390</u>
TOTAL EQUITY	<u>1,700,381</u>	<u>1,676,924</u>

25. MATERIAL RELATED PARTY TRANSACTION**a) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8, is as follows:

	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	20,725	19,905
Post-employment benefits	<u>58</u>	<u>87</u>
	<u>20,783</u>	<u>19,992</u>

b) Other related party transactions

Save as disclosed elsewhere in these financial statements, the Group had also entered into the following material transactions with its related parties during the year.

- (i) During the year ended 31 December 2020, the Group received rental income and building management fee in aggregate of approximately HK\$2,722,000 (2019: HK\$2,722,000) from the key management personnel of the Group. At 31 December 2020, the Group received rental deposits of approximately HK\$431,000 (2019: HK\$431,000) from the key management personnel of the Group which were included in "Trade and other payables" (note 16).
- (ii) As at 31 December 2020, the aggregate principal amounts and carrying amounts of bonds issued to the fellow subsidiary and substantial shareholders of the Company were HK\$385,000,000 (2019: HK\$385,000,000) and approximately HK\$321,597,000 (2019: HK\$353,324,000), respectively. The related imputed interest expenses charged on the bonds during the year ended 31 December 2020 were approximately HK\$36,391,000 (2019: HK\$34,656,000).

In the opinion of the directors of Company, these related party transactions were entered into under the normal course of business and in accordance with the terms of the agreements governing these transactions.

26. PARENT AND ULTIMATE CONTROLLING PARTY

As at 31 December 2020, the directors of the Company consider the immediate parent and ultimate controlling party of the Company to be Hong Fok Corporation (Cayman) Limited, which was incorporated in Cayman Islands with limited liability, and HFC, respectively. The immediate parent does not produce consolidated financial statements available for public use, while the ultimate controlling party produces consolidated financial statements under Singapore Financial Reporting Standards available for public use.

27. EVENT AFTER THE REPORTING PERIOD

After the outbreak of COVID-19 since early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe, causing disruption to business and economic activities. Given the dynamic nature of the COVID-19 pandemic and unpredictability of future development, the directors of the Company do not consider it is practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group up to the date of these financial statements. The Group is paying close attention to the development of the COVID-19 pandemic and will continue to monitor the situation closely and actively respond to the impacts on the Group's financial position and operating results.

28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1January2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1January2022
Amendments to HKAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1January2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1January2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Scheme Document, the Group had total borrowings amounting to approximately HK\$473,609,000, details of which are as follows:

	<i>HK\$'000</i>
Bank borrowings (<i>note a</i>)	152,000
Bonds (<i>note b</i>)	315,658
Lease liabilities	<u>5,951</u>
	<u>473,609</u>
Secured	152,000
Unsecured	<u>321,609</u>
	<u>473,609</u>

Notes:

- (a) At 31 October 2021, the Group's secured borrowings were secured by:
- i) fixed charges over certain of the Group's investment properties situated in Hong Kong;
 - ii) assignment of insurance, proceeds from rental and disposal of the aforementioned properties in Hong Kong;
 - iii) charges over certain of the Group's bank deposits for the purpose of assignment of proceeds from rental and disposal of the aforementioned properties in Hong Kong and issued shares of certain wholly-owned subsidiaries of the Company;
 - iv) subordination and assignment of intra-group and shareholders' loans to certain wholly-owned subsidiaries of the Company in favours of the banks;
 - v) floating charges over the assets of certain wholly-owned subsidiaries of the Company; and
 - vi) corporate guarantees put up by the Company.
- (b) The Company issued bonds to Barragan, HF (Cayman) and another shareholder of the Company in March 2016, and to Dekker in April 2016 and June 2017. In June 2019, the bonds held by HF (Cayman) were transferred to HF (HK). The bonds are non-convertible, unsecured, bearing interest rate of 2% per annum payable annually and will mature on 9 March 2023. The Company may at any time before the maturity date redeem the bonds in whole or in part of principal amounts together with payment of accrued interests by giving not less than 10 day's written notice.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, at the close of business on 31 October 2021, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, lease liabilities, guarantees or material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that save as and except for the below, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up to, and including the Latest Practicable Date:

- (i) The Group recorded profit for the 10 months ended 31 October 2021 (“10M2021”) as compared to loss for the 10 months ended 31 October 2020 (“10M2020”), mainly due to the aggregated effect of (a) decrease in revenue and gross profit; (b) decrease in finance costs; (c) net valuation gain on investment properties recorded for 10M2021 as compared to net valuation loss on investment properties recorded for 10M2020; and (d) income tax credit recorded for 10M2021 as compared to income tax expenses recorded for 10M2020.
- (ii) The Group’s bank borrowings as at 31 October 2021 increased from approximately HK\$108 million to HK\$152 million as compared to that as at 31 December 2020 due to further drawdown of bank facilities.
- (iii) The Group’s bonds as at 31 October 2021 decreased from approximately HK\$365 million to approximately HK\$316 million as compared to that as at 31 December 2020 due to partial redemption.

19 January 2022

The Board of Directors
Hong Fok Land International Limited
c/o Allied Crown Limited
Room 1909
9 Queen's Road Central
Hong Kong

Dear Sirs

**HONG FOK LAND INTERNATIONAL LIMITED (THE “COMPANY”)
AND ITS SUBSIDIARIES (COLLECTIVELY REFERRED
TO AS THE “GROUP”)**

**PROFIT ESTIMATE FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 OCTOBER
2021**

We refer to the estimate (as defined in the following statement below) (the “**Estimate**”) set forth in the section headed “4. MATERIAL CHANGE” in the scheme document issued by the Company dated 19 January 2022 (the “Scheme Document”). The Estimate has been prepared to enable the directors of the Company to make the following statement in the Scheme Document.

“The Group recorded profit for the 10 months ended 31 October 2021 (“**10M2021**”) as compared to loss for the 10 months ended 31 October 2020 (“**10M2020**”), mainly due to the aggregated effect of (a) decrease in revenue and gross profit; (b) decrease in finance costs; (c) net valuation gain on investment properties recorded for 10M2021 as compared to net valuation loss on investment properties recorded for 10M2020; and (d) income tax credit recorded for 10M2021 as compared to income tax expenses recorded for 10M2020.”

The Estimate is prepared by the directors of the Company and constitutes a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by The Securities and Futures Commission.

DIRECTORS’ RESPONSIBILITIES

The Estimate has been prepared by the directors of the Company based on the unaudited consolidated results based on the management accounts of the Group for the period from 1 January 2021 to 31 October 2021, which were prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in its consolidated financial statements of the Group for the year ended 31 December 2020 and the new or revised accounting standards issued that are effective for accounting period beginning on 1 January 2021 where applicable.

The Company’s directors are solely responsible for the Estimate.

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 Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

REPORTING ACCOUNTANTS’ RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Estimate in accordance with the bases adopted by the directors and as to whether the Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in the Scheme Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the consolidated financial statements of the Group for the year ended 31 December 2020 and the new or revised accounting standards issued that are effective for accounting period beginning on 1 January 2021 where applicable.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong

Lo Charbon
Practising Certified Number P06029

APPENDIX II-B REPORT FROM GRAM CAPITAL ON THE PROFIT FORECAST

19 January 2022

The Board of Directors
Hong Fok Land International Limited
c/o Allied Crown Limited
Room 1909
9 Queen's Road Central
Hong Kong

Dear Sir/Madam,

Reference is made to the scheme document dated 19 January 2022 (the “**Scheme Document**”) jointly issued by the Company and the Joint Offerors. Capitalised terms used in this letter shall have the same respective meanings as defined in the Scheme Document unless the context otherwise required.

We refer to the following statement under the section headed “4. MATERIAL CHANGE” of Appendix I to the Scheme Document (the “**Statement**”):

”The Group recorded profit for the 10 months ended 31 October 2021 (“**10M2021**”) as compared to loss for the 10 months ended 31 October 2020 (“**10M2020**”), mainly due to the aggregated effect of (a) decrease in revenue and gross profit; (b) decrease in finance costs; (c) net valuation gain on investment properties recorded for 10M2021 as compared to net valuation loss on investment properties recorded for 10M2020; and (d) income tax credit recorded for 10M2021 as compared to income tax expenses recorded for 10M2020.”

The Statement constitutes profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

We have reviewed the Statement and its underlying bases (no assumption was involved in making of the Statement as it relates to a period already ended) which were provided by you and you as the Directors are solely responsible for. We also discussed the above with you and the senior management of the Company.

In respect of the accounting policies and calculations concerned, upon which the Statement has been made, we have considered the report as contained in Appendix II-A to the Scheme Document addressed to the Board from Crowe (HK) CPA Limited, being the auditors of the Company (“**Crowe**”). Crowe is of the opinion that so far as the accounting policies and calculations are concerned, the Statement has been properly compiled in accordance with the bases adopted by the Directors and are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the consolidated financial statements of the Group for the year ended 31 December 2020 and the new and revised accounting standards issued that are effective for accounting period beginning on 1 January 2021 where applicable.

APPENDIX II-B REPORT FROM GRAM CAPITAL ON THE PROFIT FORECAST

Having considered the above, we are of the opinion that the Statement has been made with due care and consideration.

We hereby give and have not withdrawn our consent to the issue of the Scheme Document with the inclusion therein of this report.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

The following is the text of a valuation report prepared by Ravia Global Appraisal Advisory Limited, an independent valuer, in connection with its valuation of the Group's investment properties in Hong Kong as at 31 October 2021. The valuation report is prepared for the purpose of the proposed privatisation of the Company by the Joint Offerors by way of a scheme of arrangement and will be published in the Scheme Document in relation thereto.



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19 January 2022

**Hong Fok Land International Limited
c/o Allied Crown Limited**

Room 1909,
No. 9 Queen's Road Central
Hong Kong

Dear Sirs/Madams,

Re: Property Valuation of Various Properties in Hong Kong

In accordance with the instructions of Hong Fok Land International Limited (the "Company", and together with its subsidiaries, the "Group") to value the properties in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 October 2021 (the "Date of Valuation") for the purpose of incorporation in this Scheme Document of the Company dated 19 January 2022.

1. BASIS OF VALUATION

Our valuations of properties are our opinion of the market values which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

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

2. VALUATION METHODOLOGY

We have valued the properties by making reference to sales evidence as available in the market and where appropriate on the basis of capitalization of the net rental income shown on schedules handed to us. We have allowed for outgoings and in appropriate cases made provisions for reversionary income potential.

3. TITLE INVESTIGATION

For the properties in Hong Kong, we have carried out sample land searches at the Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

In valuing the properties, we have relied on the advice given by the Company that the Group has valid and enforceable title to the properties which is freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent / land use fees and all requisite land premium / purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site / floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

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

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site / floor areas of the properties under consideration but we have assumed that the site / floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are therefore approximations.

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

In valuing the properties, we have complied with the requirements set out in Rule 11 of The Code on Takeovers and Mergers and Share Buy-backs and The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

As advised by the Company, the potential tax liabilities which would arise on the direct disposal of the property interests held by the Group at the amounts valued by us may include the following:

- Hong Kong Profits Tax at 8.25% on the gain on disposal up to HK\$2,000,000 and 16.5% on the gain on disposal over HK\$2,000,000 (excluding any profits which are considered to be capital in nature and shall not be subject to profits tax); and
- Hong Kong Stamp Duty at progressive rate from 1.5% to 4.25% on the transaction amount (of which both the seller and the buyer are jointly and severally liable on the stamp duty).

As advised by the Company, the Company has no intention to sell the properties and therefore there is no likelihood of any tax liability crystallizing.

7. REMARKS

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

Our Summary of Values and Valuation Certificates are attached herewith.

Yours faithfully,

For and on behalf of

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

Dr. Alan Lee

PhD(BA) MFin BCom (Property)

MHKIS RPS(GP) AAPI CPV CPV (Business)

Director

Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 17 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

SUMMARY OF VALUES**Properties held by the Group in Hong Kong for investment use**

No.	Property	Market Value in Existing State as at 31 October 2021
1.	Magazine Gap Towers, No. 15 Magazine Gap Road, Mid-Levels Central, Hong Kong	HK\$1,654,000,000
2.	Magazine Heights, No.17 Magazine Gap Road, Mid-Levels Central, Hong Kong	HK\$1,430,000,000
3.	Upper Roof, The Icon, No. 38 Conduit Road, Mid-Levels West, Hong Kong	HK\$700,000
4.	Parking Space Nos. 2-8 and Motorcycle Parking Space No. M1, The Icon, No.38 Conduit Road, Mid-Levels West, Hong Kong	HK\$12,900,000
		Total: <u>HK\$3,097,600,000</u>

VALUATION CERTIFICATE

Properties held by the Group in Hong Kong for investment use

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2021
1.	Magazine Gap Towers, No.15 Magazine Gap Road, Mid-Levels Central, Hong Kong	The property comprises 36 private car parking spaces on ground floor and 24 residential units of a 14-storey residential building including a basement which was completed in 1967.	As advised by the Company, 13 residential units and 12 car parking spaces of the property are subject to various tenancies with the latest expiry date on 9 May 2024 at a total monthly rental of HK\$1,620,680 inclusive of rates and management fee.	HK\$1,654,000,000
	Inland Lot No. 2570 and The Extension thereto	The building had completed a wholesale renovation and refurbishment in 2018. The total saleable area of the residential portion of the property is approximately 45,596 sq.ft. (or about 4,236 sq.m.). Inland Lot No. 2570 and The Extension thereto are held under Government lease and Conditions of Extension No. UB4401 for a term of 75 years renewable for 75 years commencing on 4 June 1925.	2 car parking spaces of the property are subject to monthly licenses at a total monthly license fee of HK\$8,000. The remaining portion of the property is vacant.	

Notes:

1. The registered owner of the property is Hugoton Limited vide Memorial No. UB3799502 dated 22 July 1988.
2. The property is subject to the following material encumbrances:
 - a. Deed of variation of Crown Lease vide Memorial No. UB545645 dated 2 June 1966;
 - b. Deed Poll with plans vide Memorial No. UB8663823 dated 8 April 2002;
 - c. Debenture and Mortgage and Floating Charge in favour of Nanyang Commercial Bank, Limited in its own right and as agent for and on behalf of the banks at a consideration of All Monies (PT.) vide Memorial No. 15083101340017 dated 27 August 2015;
 - d. Deed of Variations and Further Charge in favour of Nanyang Commercial Bank, Limited at a consideration of All Monies (PT.) vide Memorial No. 17030101370019 dated 24 February 2017; and
 - e. Second Deed of Variations and Further Charge in favour of Nanyang Commercial Bank, Limited at a consideration of All Monies (PT.) vide Memorial No. 21090801390010 dated 23 August 2021.
3. The inspection was performed by Jeffrey Wong, MSc Surveying, in November 2021.
4. Hugoton Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2021
2.	Magazine Heights, No.17 Magazine Gap Road, Mid-Levels Central, Hong Kong	The property comprises 42 private car parking spaces on basement and ground floor and 23 residential units of a 14-storey residential building which was completed in 1968.	As advised by the Company, 21 residential units and 22 car parking spaces of the property are subject to various tenancies with the latest expiry date on 31 October 2023 at a total monthly rental of HK\$1,835,200 mostly inclusive of rates and management fee.	HK\$1,430,000,000
	Inland Lot No. 8021 and The Extension thereto.	The saleable area of the residential portion of the real property is approximately 50,379 sq.ft. (or about 4,680.3 sq.m.). Inland Lot No. 8021 and The Extension thereto are held under Conditions of Exchange No. UB8466 and Conditions of Extension No. 9396 for a term of 75 years renewable for 75 years commencing on 28 August 1920.	The remaining portion of the property is vacant.	

Notes:

1. The registered owners of the property are Bossiney Limited (21/24 shares) vide Memorial No. UB3827761 dated 12 August 1988 and Giant Yield Limited (3/24 shares) vide Memorial No. UB 4995704 dated 31 May 1988.
2. The property is subject to the following material encumbrances:
 - a. Deed of Convent with Plans vide Memorial No. UB825618 dated 10 August 1971;
 - b. Debenture and Mortgage and Floating Charge in favour of Nanyang Commercial Bank, Limited at a consideration of All Monies vide Memorial No. 08082801300074 dated 31 July 2008;
 - c. Deed of Variations and Further Charge in favour of Nanyang Commercial Bank, Limited at a consideration of All Monies vide Memorial No. 13071000770010 dated 24 June 2013;
 - d. Second Deed of Variations in favour of Nanyang Commercial Bank, Limited at a consideration of All Monies vide Memorial No. 15070701140015 dated 2 July 2015;
 - e. Third Deed of Variations and Further Charge in favour of Nanyang Commercial Bank, Limited at a consideration of All Monies vide Memorial No. 17030101370020 dated 15 February 2017;
 - f. Fourth Deed of Variations and Further Charge in favour of Nanyang Commercial Bank, Limited at a consideration of All Monies vide Memorial No. 18120300660030 dated 21 November 2018; and
 - g. Fifth Deed of Variations and Further Charge in favour of Nanyang Commercial Bank, Limited at a consideration of All Monies vide Memorial No. 21071201810018 dated 30 June 2021.
3. The inspection was performed by Jeffrey Wong, MSc Surveying, in November 2021.
4. Bossiney Limited and Giant Yield Limited are indirect wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2021
3.	Upper Roof, The Icon, No. 38 Conduit Road, Mid-Levels West, Hong Kong	The property comprises an upper roof of a 23-storey residential building with a 2-storey basement known as The Icon which was completed in 2010.	As advised by the Company, the property is vacant as at the Date of Valuation.	HK\$700,000
	4/5,272 equal and undivided shares of and in The Remaining Portion of Inland Lot No. 1253	The area of the property is approximately 506 sq.ft. (or about 46.99 sq.m.). The Remaining Portion of Inland Lot No. 1253 is held under a Government Lease for a term of 999 years commencing on 25 June 1861.		

Notes:

1. The registered owner of the property is Allied Crown Limited vide Memorial No. 10122902110044 dated 3 December 2010.
2. The property is subject to the following material encumbrances:
 - a. Occupation Permit No. HK30/2010(OP) vide Memorial No. 10112902510015 dated 12 November 2010; and
 - b. Deed of Mutual Covenant and management agreement with plans in favour of Century Elegant Limited vide Memorial No. 10122902110051 dated 3 December 2010.
3. The inspection was performed by Jeffrey Wong, MSc Surveying, in November 2021.
4. Allied Crown Limited is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2021
4.	Parking Space Nos. 2-8 and Motorcycle Parking Space No. M1, The Icon, No. 38 Conduit Road, Mid-Levels West, Hong Kong	The property comprises 2 private car parking spaces and a motorcycle parking space on basement level 1 and 5 private car parking spaces on basement levels 2 of a 23-storey residential building with a 2-storey basement known as The Icon which was completed in 2010.	As advised by the Company, the property is vacant as at the Date of Valuation.	HK\$12,900,000
	50/5,272 equal and undivided shares of and in The Remaining Portion of Inland Lot No. 1253	The Remaining Portion of Inland Lot No. 1253 is held under a Government Lease for a term of 999 years commencing on 25 June 1861.		

Notes:

- The registered owner of Motorcycle Parking Space No. M1 is King Dynasty Limited vide Memorial No. 15110401510013 dated 29 October 2015.
- The registered owner of Parking Space No. 2-8 is King Dynasty Limited vide Memorial No. 15110401510013 dated 29 October 2015.
- The property is subject to the following material encumbrances:
 - Occupation Permit No. HK30/2010(OP) vide Memorial No. 10112902510025 dated 12 November 2010; and
 - Deed of Mutual Covenant and Management Agreement with plans in favour of Century Elegant Limited vide Memorial No. 10122902110051 dated 3 December 2010.
- The inspection was performed by Jeffrey Wong, MSc Surveying, in November 2021.
- King Dynasty Limited is an indirect wholly-owned subsidiary of the Company.

The following is the text of a valuation report prepared by Savills Valuation and Professional Services (S) Pte Ltd, an independent valuer, in connection with its valuation of the Group's investment properties in Singapore as at 31 October 2021. The valuation report is prepared for the purpose of the proposed privatisation of the Company by the Joint Offerors by way of a scheme of arrangement and will be published in the Scheme Document in relation thereto.

19 January 2022

Hong Fok Land International Limited

c/o Allied Crown Limited
Room 1909
9 Queen's Road Central
Hong Kong



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Professional Services (S) Pte Ltd
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INSTRUCTIONS

In accordance with the instructions of Hong Fok Land International Limited (referred to as the “Company”) to value the properties situated in Singapore (as more particularly described in the attached valuation reports), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 31 October 2021 (the “valuation date”).

DEFINITION OF MARKET VALUE

The valuation of each of the properties represent its Market Value. The definition of Market Value adopted in the Valuation Standards and Practice Guidelines (2015 Edition) issued by Singapore Institute of Surveyors and Valuers (“SISV”) follow the International Valuation Standards 2020 published by the International Valuation Standard Council (“IVSC”).

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

VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in The Code on Takeovers and Mergers and Share Buy-backs issued by The Securities and Future Commission, Valuation Standards and Practice Guidelines (2015 Edition) issued by SISV and International Valuation Standards 2020 by IVSC.

Our valuations have been made on the assumption that the properties are sold in the open market without the benefit of a deferred term contract or any similar arrangement which could serve to affect the values of the properties.

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 properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We confirm that we do not have a pecuniary interest that would conflict with a proper valuation of the properties and the valuers undertaking the valuation are authorized to practice and have the necessary expertise and experience in valuation of such type of properties.

The report analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is our personal unbiased professional analyses, opinions and conclusions.

VALUATION METHODOLOGY

In valuing the properties, we have adopted Direct Comparison Method which entails comparing the subject property with sales of similar/ comparable properties in the subject or comparable localities. Adjustments are made for factors which affect value such as location, size, tenure, age/ condition, floor level, orientation, facing and date of sale and other relevant characteristics.

TITLE INVESTIGATION

We have conducted online searches from Integrated Land Information Service (“INLIS”) on the title and floor area of each of the properties.

SITE INSPECTION

We have inspected 10 Anson Road #43-07 virtually on 18 November 2021 and 298 Beach Road #11-15 and #09-12 on 23 and 26 November 2021 respectively. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. The valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delay will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not

note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

POTENTIAL TAX LIABILITIES

For the purpose of compliance with Rule 11 of The Code on Takeovers and Mergers and Share Buy-backs and as advised by the Company, the potential tax liabilities which would arise from the sale of the properties in Singapore comprise income tax (the corporate tax rate is 17%, subject to applicable deductions) and stamp duty (seller's stamp duty is payable on residential and industrial properties that are sold within the holding period).

We are given to understand that the Company has intended to sell the property at 10 Anson Road #43-07 International Plaza. Based on our understanding, the sale of this property would not be subjected to income tax for the Company as the sale would be a disposal of capital asset. The seller's stamp duty would also not be applicable as the sale would be transacted out of the holding period.

According to the information provided by the Company, the rest of the properties are held for investment purposes and the likelihood of any potential liability being crystalized is remote as the Company has no intention to sell these properties.

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, all monetary sums as shown in our reports are expressed in Singapore Dollars ("S\$").

We enclosed our summary of values and valuation reports.

Yours faithfully,
For and on behalf of
**SAVILLS VALUATION AND
PROFESSIONAL SERVICES (S) PTE LTD**
LIAW HIN SAI
MSISV
Licenced Appraiser
Senior Director

Note: Mr Liaw Hin Sai is the Senior Director of Savills Valuation and Professional Services (S) Pte Ltd and a Licensed Appraiser who has over 30 years of experience in valuation of properties in Singapore.

SUMMARY OF VALUES

		Market Value in existing state as at 31 October 2021
No.	Property	
1	296 Beach Road #18-04 Concourse Skyline, Singapore 199599	S\$1,600,000
2	296 Beach Road #21-04 Concourse Skyline, Singapore 199599	S\$1,620,000
3	298 Beach Road #09-12 Concourse Skyline, Singapore 199554	S\$1,530,000
4	298 Beach Road #11-13 Concourse Skyline, Singapore 199554	S\$1,540,000
5	298 Beach Road #12-13 Concourse Skyline, Singapore 199554	S\$1,510,000
6	298 Beach Road #11-15 Concourse Skyline, Singapore 199554	S\$1,960,000
7	298 Beach Road #12-15 Concourse Skyline, Singapore 199554	S\$1,990,000
8	298 Beach Road #13-15 Concourse Skyline, Singapore 199554	S\$2,000,000
Total		S\$13,750,000 (equivalent to approximately HK\$79,525,737)
		Market Value in existing state as at 31 October 2021
No.	Property	
1	10 Anson Road #43-07 International Plaza, Singapore 079903	S\$1,720,000
Total		S\$1,720,000 (equivalent to approximately HK\$9,947,947)

VALUATION REPORT**CONCOURSE SKYLINE**

Location: Concourse Skyline is located on the southern side of Beach Road, near its junction with Java Road and some 2km from the City Centre.

The immediate locality is mixed in character, predominated by commercial developments, pockets of prewar shophouses, hotels, private residential developments and HDB flats.

Prominent landmarks nearby include Golden Mile Complex, Golden Sultan Plaza, Textile Centre, City Gate, Parkroyal on Beach Road, Pan Pacific Serviced Suites Beach Road, The Plaza, The Gateway, Suntec City, Parkview Square, Raffles Hospital, The Golden Landmark, Duo Residences and Bugis Junction, amongst others.

Accessibility to other parts of Singapore is facilitated by its proximity to Nicoll Highway, East Coast Parkway, Kallang Paya Lebar/ Marina Coastal Expressways while Nicoll Highway MRT Station is located within a short walking distance to subject development.

Subject Development: Concourse Skyline is a mixed-use development comprising:
302 Beach Road
A part 4-/ part 7-storey podium block of commercial units (1st storey), multi-storey carpark (2nd to 4th storeys) and apartments (5th to 7th storeys)

296 & 298 Beach Road
2 high-rise residential blocks – a part 34-/part 40-storey block (namely, 296 Beach Road) and a part 20-/part 28-storey block (namely, 298 Beach Road)

In total, Concourse Skyline accommodates 9 retail units and 360 residential units including 2 super penthouses, 4 penthouses, 4 sky suites and 350 units of 1 to 4-bedroom apartments.

Communal facilities provided include the following:

Club Level (5th Storey)
50m lap pool, wading pool, jacuzzi, pool deck, BBQ pits, sunning lawn, clubhouse, lounge, gymnasium, hot spa, sauna, male and female changing rooms

Sky Garden (29th Storey of 298 Beach Road)

Lawn, sky bar, reflective pool, reflexology path, meditation deck and biological pond

Basement/ multi-storey car parking lots, 24-hour security service, audio/ video intercom system and proximity card access system are available within the development.

Year of Completion:	Circa 2014 (which is obtained from online services of the Urban Redevelopment Authority's Real Estate Information System ("REALIS"))
Condition:	The properties appeared to be in an average state of repairs and maintenance based on our visual inspection having regard to its age and existing use.
Tenure:	Leasehold for 99 years commencing 13 March 2008
Registered Proprietor:	Hong Fok Land Assets Pte. Ltd. (an indirect wholly-owned subsidiary of the Company)
Master Plan (2019):	Zoned "Commercial"

				Particulars of occupancy (as at date of valuation)	Market Value in existing state as at 31 October 2021
No.	Property	Description	Legal Description (All of Town Subdivision 13)	Strata Floor Area (sm)	
1	296 Beach Road #18-04	1-bedroom apartment	U1535A	82	Tenanted
2	296 Beach Road #21-04	1-bedroom apartment	U1538X	82	Tenanted
3	298 Beach Road #09-12	1-bedroom apartment	U1695M	81	Tenanted
4	298 Beach Road #11-13	1-bedroom apartment	U1709T	81	Tenanted
5	298 Beach Road #12-13	1-bedroom apartment	U1710V	79	Tenanted
6	298 Beach Road #11-15	2-bedroom apartment	U1750X	101	Tenanted
7	298 Beach Road #12-15	2-bedroom apartment	U1751L	102	Tenanted
8	298 Beach Road #13-15	2-bedroom apartment	U1752C	102	Tenanted
Total				710	S\$13,750,000 (equivalent to approximately HK\$79,525,737)

VALUATION REPORT**INTERNATIONAL PLAZA**

Location:	<p>International Plaza is located at the junction of Anson Road and Choon Guan Street, within the Central Business District and next to Tanjong Pagar MRT Station.</p> <p>The immediate locality is mixed in character, predominated by commercial developments, pockets of prewar shophouses, hotels, private residential developments and HDB flats.</p> <p>Prominent landmarks nearby include Tanjong Pagar Center, AXA Tower, Springleaf Tower, MAS Building, Twenty Anson, Mapletree Anson, ICON, Skysuites @ Anson, Altez, Amara Singapore/ 100 AM, Carlton City Hotel Singapore, Oasia Hotel Downtown Singapore and Tanjong Pagar Plaza, amongst others.</p> <p>Accessibility to other parts of Singapore is facilitated by its proximity to Ayer Rajah/ Marina Coastal Expressways, West Coast Highway and East Coast Parkway.</p>
Subject Development:	<p>International Plaza is a 50-storey commercial-cum-residential development comprising a podium block with shops on levels 1 to 3, offices on levels 5 and 6 and multi-storey carpark from levels 4 to 8; and a tower block accommodating offices from levels 9 to 36; a total of 208 apartments and 2 penthouses from levels 37 to 50 as well as communal recreational facilities on level 36 and level 37.</p> <p>Communal facilities provided include swimming pool and gymnasium on level 36 and badminton court on level 37.</p>
Year of Completion:	<p>Circa 1976 (which is obtained from online services of the Urban Redevelopment Authority's REALIS)</p>
Condition:	<p>The property appeared to be in an average state of repairs and maintenance based on our visual inspection having regard to its age and existing use.</p>
Tenure:	<p>Leasehold for 99 years commencing 2 June 1970</p>

Registered Proprietor: Hong Fok Land Assets Pte. Ltd. (an indirect wholly-owned subsidiary of the Company)

Master Plan (2019): Zoned “Commercial”

No.	Property	Description	Legal Description (All of Town Subdivision 3)	Strata Floor Area (sm)	Particulars of Occupancy (as at date of valuation)	Market Value in existing state as at 31 October 2021
1	10 Anson Road #43-07	2-bedroom apartment	U914L and Accessory Lot A185X	149 (incl. 12 sm of Accessory Lot)	Tenanted	S\$1,720,000 (equivalent to approximately HK\$9,947,947)

LIMITING CONDITIONS

Our valuations are subject to the following limiting conditions unless otherwise stated in our valuation report.

Valuation Standards:	The valuation is carried out in accordance with the Valuation Standards and Practice Guidelines published by the Singapore Institute of Surveyors and Valuers, and/or International Valuation Standards and/or RICS Valuation Standards, subject to variations to comply with local laws, customs and practices.
Valuation Basis:	<p>The valuation is carried out on a basis appropriate to the specific purpose of valuation, in accordance with the relevant definitions, assumptions and qualifications outlined in the valuation report.</p> <p>The opinion expressed in the valuation report applies strictly in accordance with the terms and for the purpose expressed therein. The assessed values need not be applicable in relation to some other assessment.</p>
Currency of Valuation:	Values are reported in Singapore currency unless otherwise stated.
Confidentiality:	Our valuation is confidential and strictly for the use of the addressee of the valuation report only and for the specific purpose(s) stated. Savills disclaim all responsibility and will accept no accountability, obligation or liability to any third parties.
Copyright:	Neither the whole nor any part of the valuation report or any reference to it may be included in any published document, statement, circular or be published in any way, nor in any communication with any third parties, without prior written approval from Savills, including the form and context in which it may appear.
Limitation of Liability:	<p>The liability of Savills and its employees is only limited to the party to whom the valuation report is addressed. No responsibility to any third parties for unauthorized use and reliance is accepted.</p> <p>Any liability arising from the valuers' negligence, breach of contract or otherwise in connection with this engagement shall be limited to the fees received by Savills under this engagement. Savills do not accept liability for any indirect or consequential losses (such as opportunity cost and loss of profits).</p>

Validity Period:	This valuation represents our opinion of value as at the date of valuation. The assessed value may change significantly and unexpectedly over a short period arising from general market movement, possible changes in market forces and circumstances in relation to the property. Savills disclaim all responsibility and accept no liability should the valuation report be relied upon after the expiration of 3 months from the date of valuation, or such earlier date if the addressee of the report becomes aware of any factors that may have an effect on the valuation and has not made known such information to Savills.
Titles:	A brief on-line title search on the property has been carried out only. We are not obliged to inspect and/or read the original title or lease documents, unless they are made available by the client. The valuation shall therefore assume, unless informed to the contrary, that there are no further restrictive covenants, easements or encumbrances not disclosed by this brief title search which may have an effect on the market value. We assume the title of the property is good and marketable and free from all encumbrances, restrictions and other legal impediments.
Planning Information:	Information relating to town planning is obtained from the current Singapore Master Plan which is assumed to be accurate. We do not normally carry out legal requisitions on road, MRT, LRT, drainage and other government proposals, unless specifically requested and Savills is properly reimbursed. In the event that legal requisitions are conducted by our clients which reveal that the information is materially different from the town planning information outlined in the valuation report and/or property is affected by public scheme(s), this report should then be referred back to Savills for review on possible amendment.
Other Statutory Regulations:	Our valuation assumes that the property and any improvements thereon comply with all relevant statutory regulations. We have assumed that the property has been or will be issued with a Temporary Occupation Permit, Certificate of Fitness, Certificate of Statutory Completion or Temporary Occupation License by the competent authority.
Site Condition:	We do not undertake site investigations to ascertain the suitability of the ground conditions and services for the existing or any new development, nor do we carry out any environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and where new development is proposed, no extraordinary expenses or delays will be incurred during the construction period. We have assumed that the load bearing capacity of the site is sufficient to support the building constructed or to be constructed thereon.

Condition of Property:	While due care is exercised in the course of inspection to note any building defects, no structural survey or testing of the services or facilities are carried out nor have we inspected the unexposed or inaccessible portions of the building. As such, we are unable to comment if the building is free from defect, rot, infestation, asbestos or other hazardous material. Our valuation assumes that the building would not have any defects requiring significant capital expenditure and complies with all relevant statutory requirements.
Source of Information:	Where it is stated in the valuation report that the information has been provided to the valuer by the sources listed, this information is presumed to be reliable. Savills takes no responsibility for inaccurate data supplied and subsequent conclusions related to such data. Where information is given without reference to another party in the report, it shall be taken that this information has been obtained or gathered through our best efforts and to our best knowledge. Processed data inferences therefrom shall be taken as the valuer's opinion and shall not be freely quoted without acknowledgement.
Floor Areas:	We have assumed that information contained in the surveyed or architectural floor plans is accurate and has been prepared in accordance with the prevailing Professional Property Practice Guidelines. In the absence of such plans, the floor area is estimated based on available secondary information and such estimates do not provide the same degree of accuracy or certainty. In the event that there is a material variance in areas, we reserve the right to review our valuation.
Plans:	Plans included in the valuation report are for identification purposes only and should not be relied upon to define boundaries or treated as certified copies of areas or other particulars contained therein. All location plans are obtained from OneMap. While we have endeavoured to ensure the maps are updated, we do not vouch for the accuracy of the map and shall not be responsible if it is otherwise.
Tenant:	No enquiries on the financial standing of actual or prospective tenants have been made. Where property is valued with the benefit of lettings, it is assumed that the tenants are capable of meeting their obligations under the lease and there are no arrears of rent or undisclosed breaches of covenant.

**Reinstatement
Cost:**

Our opinion of the reinstatement cost for fire insurance purpose is provided only for guidance and must not be relied upon as the basis for insurance cover. We advise that we are not quantity surveyors and our estimate of the construction cost is based upon published sources. We recommend that verification of the insurance replacement cost be sought from a qualified quantity surveyor, if considered appropriate.

**Attendance in
Court:**

Savills or its employees are not obliged to give testimony or to appear in court or any other tribunal or to any government agency with regards to this valuation report or with reference to the property in question unless prior arrangement has been made and Savills are properly reimbursed.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Scheme and the Company.

As at the Latest Practicable Date, the Directors are Mr. Cheong PC and Mr. Cheong SE and the independent non-executive Directors are Mr. Ng Lin Fung and Mr. Chan Yee Hoi.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the directors of the Corporate Joint Offerors and the Individual Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the directors of HF (Cayman) are Mr. Cheong PC and Mr. Cheong SE. The directors of HF (Cayman) jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Company and the other Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors, the directors of the other Corporate Joint Offerors and the Individual Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the directors of HF Enterprises are Mr. Cheong PC and Mr. Cheong SE. The directors of HF Enterprises jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Company and the other Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors, the directors of the other Corporate Joint Offerors and the Individual Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the directors of HF (HK) are Mr. Cheong PC and Mr. Cheong SE. The directors of HF (HK) jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Company and the other Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors, the directors of the other Corporate Joint

Offerors and the Individual Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the sole director of Barragan is Mr. Kuo Pao Chih, Keith. The sole director of Barragan accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Company and the other Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors, the directors of the other Corporate Joint Offerors and the Individual Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the sole director of Dekker is Mr. Lee Keng Seng. The sole director of Dekker accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Company and the other Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors, the directors of the other Corporate Joint Offerors and the Individual Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, Cheong Zee Yee Ling, Helen accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Company and the other Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors, the directors of the Corporate Joint Offerors and Cheong Hooi Kheng) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, Cheong Hooi Kheng accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Company and the other Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors, the directors of the Corporate Joint Offerors and Cheong Zee Yee Ling, Helen) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

APPENDIX IV GENERAL INFORMATION OF THE GROUP AND THE JOINT OFFERORS

As at the Latest Practicable Date, the directors of Hong Fok Corporation are Mr. Chan Pengee, Adrian, Mr. Cheong PC, Mr. Cheong SE, Cheong Hooi Kheng, Mr. Chow Yew Hon, Mr. Lim Jun Xiong Steven and Mr. Cheong Tze Hong, Marc (Alternate director). The directors of Hong Fok Corporation jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Company, Barragan and Dekker and the Individual Joint Offerors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors, the directors of Barragan and Dekker and the Individual Joint Offerors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>3,000,000,000</u> Shares as at the Latest Practicable Date	<u>150,000,000</u>
<i>Issued and fully paid or credited as fully paid</i>	<i>HK\$</i>
<u>1,451,190,401</u> Shares as at the Latest Practicable Date	<u>72,559,520</u>

All the issued Shares rank *pari passu* with each other in all respects including rights as to voting, dividends and capital. No Shares have been issued since 31 December 2020 (being the end of the last financial year of the Company) up to the Latest Practicable Date.

None of the securities of the Company are listed or dealt in on any stock exchange and no such listing or permission to deal is being or is proposed to be sought.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities issued by the Company, or outstanding derivatives in respect of securities of the Company entered into by the Joint Offerors or the Persons acting in concert with them.

APPENDIX IV GENERAL INFORMATION OF THE GROUP AND THE JOINT OFFERORS

3. OTHER INTERESTS AND DEALINGS IN THE SHARES

As at the Latest Practicable Date, the Joint Offerors are interested in the following debentures issued by the Company:

Name of Bondholders	Date of Issue of the Bonds	Principal Amount of Bonds (HK\$)	Interest rate of the Bonds	Maturity date of the Bonds
Barragan	9 March 2016	54,000,000.00	2% p.a.	9 March 2023
HF (HK)*	9 March 2016	190,000,000.00	2% p.a.	9 March 2023
Dekker	22 April 2016	50,000,000.00	2% p.a.	9 March 2023
Dekker	12 June 2017	<u>7,000,000.00</u>	2% p.a.	9 March 2023
Total		<u>301,000,000.00</u>		

* The Bonds were transferred from HF (Cayman) to HF (HK) in June 2019.

4. MARKET PRICES

As the Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the Shares quoted on the Stock Exchange or any other stock exchanges. In addition, save for the transfer of 27,000 Shares from OCBC Wing Hang (Nominees) Limited to Chiu Man Wa on 1 June 2021, no transaction of the Shares has taken place during the Relevant Period.

5. DISCLOSURE OF INTERESTS UNDER THE TAKEOVERS CODE

(i) Interests discloseable under Schedule I to the Takeovers Code

As at the Latest Practicable Date:

- (a) the Joint Offerors were interested in 1,183,212,665 Shares (representing approximately 81.53% of the issued share capital of the Company). Save for the existing shareholding of the Joint Offerors as set out in the section headed “Shareholding Structure of the Company” in the Explanatory Statement of this Scheme Document and the brother of Cheong Zee Yee Ling, Helen, namely Tsui Yeung Kun Andrew, who holds 100,000 Shares, neither the Joint Offerors nor the persons acting in concert with them owned or had control or direction over any voting rights or rights over the Shares, options, derivatives, warrants, other securities convertible into Shares, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code);

- (b) there are no voting rights in respect of the Shares or rights over the Shares in respect of which the Joint Offerors have received an irrevocable commitment to vote in favour of or against the Scheme or accept or reject the Proposal, and save for the Consortium Agreement, there are no other arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Joint Offerors which might be material to the Proposal or the Scheme;
- (c) none of the Joint Offerors hold any convertible securities, options or warrants in respect of any Shares or any voting rights in respect of the Shares or rights over the Shares;
- (d) there are no outstanding derivatives in respect of the Shares or any other securities of the Company entered into by the Joint Offerors;
- (e) save for the Consortium Agreement, the Joint Offerors confirm that there are no agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Scheme Condition;
- (f) the Joint Offerors confirm that the Joint Offerors or persons acting in concert with them have not borrowed or lent any Shares or any other securities of the Company as at the Latest Practicable Date; and
- (g) save for the Consortium Agreement, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Joint Offerors and any of its concert parties, or (b) the Company, its subsidiaries or associated companies.

(ii) Interests discloseable under Schedule II to the Takeovers Code

As at the Latest Practicable Date:

- (a) save for the interests of Mr. Cheong PC and Mr. Cheong SE through Hong Fok Corporation and HFC Subsidiaries, the 3,397,000 Shares held by Cheong Zee Yee Ling, Helen, the spouse of the Mr. Cheong PC and the 2,000,000 Shares held by Cheong Hooi Kheng, a sibling of Mr. Cheong PC and Mr. Cheong SE, none of the Directors was interested in or owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (b) save for Hong Fok Land Holding Limited, an indirect wholly-owned subsidiary of the Company, holding an interest of approximately 21.02% in Hong Fok Corporation, which is the ultimate controlling party of the HFC

Subsidiaries, the Company was not interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the HFC Subsidiaries, Barragan or Dekker;

- (c) Mr. Cheong PC and Mr. Cheong SE, all being Directors, are interested in shares representing approximately 16.29% and 16.19% of the total issued shares of Hong Fok Corporation, respectively, which is the ultimate controlling party of the HFC Subsidiaries. Save for the aforementioned, no Director was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the HFC Subsidiaries, Barragan or Dekker;
- (d) none of the subsidiaries and pension funds of the Company or any of its subsidiaries, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund managers) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (e) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (f) save for the Proposal, the Scheme and the Consortium Agreement, there was no arrangement (whether by way of option, indemnity or otherwise), in relation to the Shares or the shares of any of the Joint Offerors which might be material to the Proposal;
- (g) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (h) there were no Shares, convertible securities, warrants, options or derivatives of the Company which the Company or the Directors had borrowed or lent;
- (i) no arrangement was in place for any benefit (save for any statutory compensation required under applicable laws) to be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (j) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;

- (k) save for the Proposal, the Scheme and the Consortium Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or the Joint Offerors on the one hand, and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Proposal;
- (l) save for the Consortium Agreement, no material contracts have been entered into by any of the Joint Offerors in which any Director has a material personal interest;
- (m) none of the Directors intend, in respect of their own beneficial shareholdings, to accept or reject the Proposal; and
- (n) there were no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Joint Offerors, or any person acting in concert with any of them and any other person.

6. DEALINGS IN SECURITIES AND OTHER ARRANGEMENTS

- (i) During the Relevant Period:
 - (a) none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; and
 - (b) none of the Company and the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of Hong Fok Corporation, the HFC Subsidiaries, Barragan and Dekker.
- (ii) During the period commencing from the date of the Announcement and up to the Latest Practicable Date:
 - (a) none of the subsidiaries of the Company and pension funds of the Company or any of its subsidiaries, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund managers) has dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;
 - (b) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and

(4) of the definition of “associate” under the Takeovers Code has dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; and

- (c) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis has dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

7. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into service contracts with any member of the Group or any associated companies of the Company which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which any member of the Group may become a party.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, save as disclosed below, the Company has not entered into any material contract, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company, after the date two years preceding the date of the Announcement:

- (a) the third deed of amendment dated 25 September 2020 executed by the Company by way of supplemental deed poll to further extend the maturity date of the bonds issued by the Company (the “**Bonds**”) from 9 March 2021 to 9 March 2023 and revise the rate of interest from 2.75% per annum to 2% per annum of the Bonds;
- (b) the sixth supplement to the loan agreement dated 30 June 2021 entered into between Bossiney Limited and Giant Yield Limited, the two indirect wholly-owned subsidiaries of the Company, and Nanyang Commercial Bank, Limited in relation to a loan facility in the amount of HK\$550,000,000; and
- (c) the second supplement to the loan agreement dated 23 August 2021 entered into between Hugoton Limited, an indirect wholly-owned subsidiary of the Company, and Nanyang Commercial Bank, Limited, United Overseas Bank Limited and CTBC Bank Co., Limited as lenders in relation to a loan facility in the amount of HK\$419,000,000.

10. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of each of the experts (the “**Experts**”) who have been named in this Scheme Document or given their opinion or advice which are contained in this Scheme Document:

Name	Qualification
Lego	A corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
Gram Capital	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Crowe (HK) CPA Limited	Certified Public Accountants
Ravia Global Appraisal Advisory Limited	Independent property valuer
Savills Valuation and Professional Service (S) Pte Ltd	Independent property valuer

Each of the Experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of its letter and advice (as the case may be) and the references to its name in the form and context in which they are included.

As at the Latest Practicable Date, none of the Experts has any shareholdings in the Company.

11. GENERAL

- (i) The principal members of the Joint Offeror’s concert group includes Mr. Cheong PC, with the residential address of 12/F Magazine Heights, 17 Magazine Gap Road, Mid-Levels Central, Hong Kong; Mr. Cheong SE with the residential address of 3 Chatsworth Park Singapore 249809; Cheong Zee Yee Ling, Helen, with the residential address of 12/F Magazine Heights, 17 Magazine Gap Road, Mid-Levels Central, Hong Kong; Cheong Hooi Kheng, with the residential address of 24 Cable Road, Singapore 249895; Mr. Kuo Pao Chih Keith (the ultimate beneficial owner of Barragan), with the correspondence address of 10/F, Guangdong Investment Tower, 148 Connaught Road, Central; Mr. Lee Keng Seng (the ultimate beneficial owner of Dekker), with the correspondence address of Units 1607-8, 16/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong; Mr. Tsui Yeung Kun Andrew (the brother of Cheong Zee Yee Ling, Helen), with the residential address of Flat B 2/F 40 Conduit Road Hong Kong; Mr. Cheong Kim Pong (the brother of Mr. Cheong PC and Mr. Cheong SE), with the

residential address of 6 Victoria Park Close Singapore 266554; Mr. Cheong Pin Seng (the brother of Mr. Cheong PC and Mr. Cheong SE), with the residential address of 34 Oxley Garden Singapore 238765; Ms. Cheong Loo Kheng (the sister of Mr. Cheong PC and Mr. Cheong SE), with the residential address of 28 Jalan Rimau Singapore 418724; Ms. Cheong Puay Kheng (the sister of Mr. Cheong PC and Mr. Cheong SE), with the residential address of 9 Green Lane Singapore 438909; Ms. Cheong Lay Kheng (the sister of Mr. Cheong PC and Mr. Cheong SE), with the residential address of 69 Wilkinson Road Singapore 436721 and Hong Fok Corporation (being the ultimate controlling party of the HFC Subsidiaries).

- (ii) The registered office of HF (Cayman) is situated at P. O. Box 1043, Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands, and the Hong Kong correspondence address is Room 1909, 9 Queen's Road Central, Hong Kong.
- (iii) The registered office and the Hong Kong correspondence address of HF Enterprises is situated at Room 1909, 9 Queen's Road Central, Hong Kong.
- (iv) The registered office and the Hong Kong correspondence address of HF (HK) is situated at Room 1909, 9 Queen's Road Central, Hong Kong.
- (v) The directors of each of the HFC Subsidiaries are Mr. Cheong PC and Mr. Cheong SE. As at the Latest Practicable Date, HF Enterprises was wholly-owned by HF (HK), and each of HF (Cayman) and HF (HK) was wholly-owned by Hong Fok Corporation, a company incorporated in the Republic of Singapore and the shares of which are listed on the Singapore Exchange Securities Trading Limited.
- (vi) The registered office of Hong Fok Corporation is situated at 300 Beach Road #41-00, The Concourse, Singapore 199555. The board of directors of Hong Fok Corporation are Mr. Chan Pengee, Adrian, Mr. Cheong PC, Mr. Cheong SE, Cheong Hooi Kheng, Mr. Chow Yew Hon, Mr. Lim Jun Xiong Steven and Mr. Cheong Tze Hong, Marc (Alternate director). The Hong Kong correspondence address is the office of HF (HK), its wholly-owned subsidiary, at Room 1909, 9 Queen's Road Central, Hong Kong.
- (vii) The residential address and the Hong Kong correspondence address of Cheong Zee Yee Ling, Helen is situated at 12/F Magazine Heights, 17 Magazine Gap Road, Mid-Levels Central, Hong Kong.
- (viii) The residential address of Cheong Hooi Kheng is situated at 24 Cable Road, Singapore 249895, and the Hong Kong correspondence address is Room 1909, 9 Queen's Road Central, Hong Kong.
- (ix) The registered office of Barragan is situated at Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. As at the Latest Practicable Date, the ultimate beneficial owner and sole director of Barragan is Mr. Kuo Pao Chih,

Keith (an individual residing in Singapore) and his Hong Kong correspondence address is situated at 10/F, Guangdong Investment Tower, 148 Connaught Road, Central, Hong Kong.

- (x) The registered office of Dekker is situated at Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa. As at the Latest Practicable Date, the ultimate beneficial owner and sole director of Dekker is Mr. Lee Keng Seng (an individual residing in Malaysia) and his Hong Kong correspondence address is situated at Units 1607-8, 16/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.
- (xi) The correspondence address of the Company in Hong Kong is Room 1909, 9 Queen's Road Central, Hong Kong.
- (xii) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (xiii) The company secretary of the Company is Conyers Corporate Services (Bermuda) Limited and Ms. Lam Pou U. Ms. Lam Pou U is a non-practicing Certified Public Accountants in Hong Kong and holds a Bachelor of Business Administration degree in Accounting from The Hong Kong University of Science and Technology. She has over 23 years of experience in accounting field in Hong Kong.
- (xiv) The principal place of business of Lego is situated at Room 1601, 16/F, China Building, 29 Queen's Road Central, Hong Kong.
- (xv) This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at (i) the website of the SFC at <http://www.sfc.hk>; and (ii) the office of Allied Crown Limited, a subsidiary of the Company at Room 1909, 9 Queen's Road Central, Hong Kong (during normal business hours from 9:00 a.m. to 6:00 p.m., Monday to Friday) from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses, whichever is earliest:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the memorandum and articles of association of each of the HFC Subsidiaries, Barragan and Dekker;
- (iii) the audited consolidated financial statements of the Company in respect of the three years ended 31 December 2020;

- (iv) the letter from the Board, the text of which is set out on pages 10 to 21 of this Scheme Document;
- (v) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this Scheme Document;
- (vi) the letter of advice from Gram Capital, the text of which is set out on pages 24 to 41 of this Scheme Document;
- (vii) the letter from the reporting accountant on the profit forecast, the text of which is set out on pages II-A1 to II-A3 of this Scheme Document;
- (viii) the report from Gram Capital on the profit forecast, the text of which is set out on pages II-B1 to II-B2 of this Scheme Document;
- (ix) the property valuation report from Ravia Global Appraisal Advisory Limited, the text of which is set out on pages III-A1 to III-A9 of this Scheme Document;
- (x) the property valuation report from Savills Valuation and Professional Services (S) Pte Ltd, the text of which is set out on pages III-B1 to III-B13 to this Scheme Document;
- (xi) the material contracts referred to in the paragraph headed “9. Material Contracts” in this Appendix;
- (xii) the written consents referred to in the paragraph headed “10. Consents and Qualifications of Experts” in this Appendix; and
- (xiii) this Scheme Document.

**IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT
2021: NO. 411
IN THE MATTER OF HONG FOK LAND INTERNATIONAL LIMITED
AND
IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981
SCHEME OF ARRANGEMENT
BETWEEN
HONG FOK LAND INTERNATIONAL LIMITED
AND
THE SCHEME SHAREHOLDERS**

PRELIMINARY

(A) In this scheme of arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Business Day”	a day on which The Stock Exchange of Hong Kong Limited is open for transaction of business
“Cancellation Price”	the cancellation price of HK\$0.56 per Scheme Share payable in cash by the Joint Offerors to the Scheme Shareholders pursuant to the Scheme
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Hong Fok Land International Limited, an exempted company incorporated in Bermuda with limited liability
“Court”	the Supreme Court of Bermuda
“Court Meeting”	the meeting of the Scheme Shareholders convened at the direction of the Court at which the Scheme (with or without any modifications) will be voted upon, or any adjournment thereof
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Scheme Conditions and the Companies Act
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof
“Explanatory Statement”	the explanatory statement set out in the Scheme Document

“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
“Joint Offerors”	Hong Fok Corporation (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability, Hong Fok Corporation (H.K.) Limited, a company incorporated in Hong Kong with limited liability, Hong Fok Enterprises Limited, a company incorporated in Hong Kong with limited liability, Cheong Zee Yee Ling, Helen, Cheong Hooi Kheng, Barragan Trading Corp, a company incorporated in the British Virgin Islands with limited liability and Dekker Assets Limited, a company incorporated in the British Virgin Islands with limited liability and duly registered as an International Company being continued under the laws of Samoa
“Latest Practicable Date”	14 January 2022, being the latest practicable date prior to the printing of the Scheme Document for ascertaining certain information contained in the Scheme Document
“Lego”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), which has been appointed as the financial adviser to the Joint Offerors in connection with the Proposal
“Long Stop Date”	31 July 2022 or such later date as may be agreed between the Joint Offerors and the Company, subject to approval of Lego, or to the extent applicable, as the Court may direct, and in all cases, as permitted by the Executive
“Proposal”	the proposal for the privatisation of the Company by the Joint Offerors by way of the Scheme on the terms and subject to the conditions set out in the Scheme Document
“Registrar of Companies”	the Registrar of Companies in Bermuda
“Scheme”	the scheme of arrangement under section 99 of the Companies Act between the Company and the Scheme Shareholders with or subject to any modifications, additions or conditions as may be approved or imposed by the Court

“Scheme Condition(s)”	the condition(s) of the Proposal as set out in the section headed “Scheme Conditions” of the Explanatory Statement
“Scheme Document”	the composite scheme document (which contains, amongst other things, details of the Proposal), the accompanying proxy forms and notices of the Court Meeting and the SGM, published or despatched by the Joint Offerors and the Company to all Shareholders
“Scheme Record Date”	25 February 2022 or such other date as may be announced to the Shareholders, being the record date for the purposes of determining the entitlements of Scheme Shareholders under the Scheme
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Shares
“Scheme Share(s)”	Share(s) other than those directly or indirectly held by the Joint Offerors
“SGM”	the special general meeting of the Company convened for the purposes of passing all necessary resolutions for, amongst other things, the implementation of the Proposal, or any adjournment thereof
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

(B) The Company is an exempted company with limited liability incorporated in Bermuda on 26 March 2007. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$150,000,000 divided into 3,000,000,000 shares of HK\$0.05 each of which 1,451,190,401 shares had been issued fully paid or credited as fully paid.

(C) The Joint Offerors have agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction this Scheme and have undertaken to the Court to be bound by this Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to this Scheme.

(D) The primary purpose of this Scheme is to privatise the Company by cancelling and extinguishing the Scheme Shares and issuing to the Joint Offerors of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished on the Effective Date so that the Joint Offerors will collectively own all of the issued shares of the Company upon the Scheme becoming effective.

SCHEME

PART I**CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES**

1. On the Effective Date:

- (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
- (b) subject to and immediately after the reduction of the issued share capital referred to in sub paragraph (a) above taking effect, the issued share capital of the Company shall be restored to its former amount by issuing to the Joint Offeror, created as fully paid at par, of the aggregate number of Shares (the “**New Shares**”) as is equal to the number of Scheme Shares cancelled and extinguished, in the respective proportions as set out below:

	Number of New Shares to be issued
Joint Offerors	
Hong Fok Corporation (Cayman) Limited	69,745,461
Hong Fok Enterprises Limited	3,652,976
Hong Fok Corporation (H.K.) Limited	5,959,866
Barragan Trading Corp	76,033,844
Dekker Assets Limited	81,702,828
Cheong Zee Yee Ling, Helen	19,438,343
Cheong Hooi Kheng	<u>11,444,418</u>
Total	<u><u>267,977,736</u></u>

- (c) the Company shall apply the credit arising in its books of account as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par such New Shares.

PART II**CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES**

2. In consideration of the cancellation and extinguishment of all Scheme Shares, each Scheme Shareholder shall be entitled to receive the Cancellation Price for each Scheme Share cancelled and extinguished.

PART III**GENERAL**

3. Cheques in respect of the Cancellation Price shall be sent to the Scheme Shareholders whose names appear in the register of members of the Company as at the Scheme Record Date (or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company) as soon as possible but in any event within seven Business Days of the Effective Date.
4. On or after the day being six calendar months after the posting of such cheques, the Joint Offerors shall have the right to cause the cancellation or countermand payment of any cheque which has not been cashed or has been returned uncashed, and shall place all monies represented by the cheque in a deposit account in the name of the Company with a licensed bank in Hong Kong selected by the Company.
5. The Company shall hold such monies in respect of uncashed cheques on trust for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, together with interest earned thereon, to persons who satisfy the Company that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Joint Offerors and the Company shall be released from any further obligation to make any payments under the Scheme and the Joint Offerors shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account, including accrued interest subject to, if applicable, the deduction of any withholding or other tax or any other deduction required by law and expenses incurred.
6. Share certificates relating to the Scheme Shares shall cease to be valid for any purpose on the Effective Date.
7. The Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme under section 99 of the Companies Act has been delivered to the Registrar of Companies for registration.
8. The Company and the Joint Offerors may jointly consent for and on behalf of all Scheme Shareholders to any modifications of or additions to the Scheme or to any conditions which the Court may see fit to approve or impose.
9. Unless the Scheme becomes effective on or before the Long Stop Date, the Scheme shall lapse.
10. Subject to the requirements of the Takeovers Code the parties shall bear their own costs, charges and expenses of and incidental to the Scheme.

IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT
2021: NO. 411
IN THE MATTER OF HONG FOK LAND INTERNATIONAL LIMITED
AND
IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981
SCHEME OF ARRANGEMENT
BETWEEN
HONG FOK LAND INTERNATIONAL LIMITED
AND
THE SCHEME SHAREHOLDERS

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated on or about 13 January 2022, the Supreme Court of Bermuda (the “**Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme referred to below) to be convened for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the “**Scheme**”) to be made between Hong Fok Land International Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 1st Floor, The Board Room and Pre-Function Room, The Aberdeen Marina Club, 8 Shum Wan Road, Aberdeen, Hong Kong on Tuesday, 15 February 2022 at 9:30 a.m. (Hong Kong time) at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the explanatory statement required by section 100 of the Companies Act 1981 are incorporated in the composite scheme document (the “**Scheme Document**”) of which this notice forms part. A copy of the Scheme Document may also be obtained by the Scheme Shareholders from the administrator of the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Scheme Shareholders who are entitled to attend and vote at the Court Meeting are those whose name appear on the register of members of the Company as at 15 February 2022. In order to qualify for the right to attend and vote at the Court Meeting (or any adjournment thereof), all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the administrator of the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by 4:30 p.m. on Tuesday, 8 February 2022, for registration.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A **PINK** form of proxy for use at the Court Meeting is enclosed with the Scheme Document. The completion and return of the **PINK** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof and in such event, the **PINK** form of proxy will be revoked by operation of law.

Where there are joint holders of any Scheme Share, any one of such joint holder may vote, either in person or by proxy, in respect of such Scheme Share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the Court Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Court Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

The **PINK** forms of proxy, together with the power of attorney or other authority (if any) under which they are signed or a certified copy thereof, should be lodged with the administrator of the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 9:30 a.m. on 13 February 2022 (or not less than 48 hours before the time appointed for an adjourned Court Meeting), but if the **PINK** forms of proxy are not so lodged they may alternatively be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept them.

By the Order, the Court has appointed Chan Yee Hoi, or failing him, any other director of the Company, to act as chairman of the Court Meeting and has directed the chairman to report the results of the Court Meeting to the Court.

The Scheme is subject to the subsequent sanction of the Court.

Dated: 19 January 2022

By order of the Court
Conyers Dill & Pearman Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Attorneys for the Company

HONG FOK LAND INTERNATIONAL LIMITED

(鴻福國際有限公司*)

(Incorporated in Bermuda with limited liability)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Hong Fok Land International Limited (the “Company”) will be held at 1st Floor, The Board Room and Pre-Function Room, The Aberdeen Marina Club, 8 Shum Wan Road, Aberdeen, Hong Kong on Tuesday, 15 February 2022 at 10:00 a.m. (Hong Kong time) or immediately after the conclusion or adjournment of the Court Meeting, for the purposes of, considering and, if thought fit, passing with or without modifications, the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings ascribed to them in the composite scheme document of the Company dated 19 January 2022 (the “Scheme Document”) of which this notice forms part.

SPECIAL RESOLUTION

1. **“THAT** for the purposes of giving effect to the Scheme between the Company and the Scheme Shareholders as set out in the Scheme Document and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting, on the Effective Date (as defined in the Scheme), the reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares be and is hereby approved.”

ORDINARY RESOLUTIONS

2. **“THAT** subject to and immediately after the reduction of the issued share capital of the Company referred to in resolution 1 above taking effect, the restoration of the issued share capital of the Company to the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing the same number of Shares (the “New Shares”) as is equal to the number of Scheme Shares cancelled and extinguished to the Joint Offerors (in the respective proportions as set out in the Scheme) be and is hereby approved;
3. **THAT** the credit arising in the books of account of the Company as a result of the cancellation and extinguishment of the Scheme Shares referred to in resolution 1 above be applied by the Company in paying up in full at par the New Shares to be allotted and issued to the Joint Offerors pursuant to resolution 2 above, and any one director of the Company be and is hereby authorised to allot and issue the same accordingly; and
4. **THAT** the directors of the Company be and are hereby authorised to do all acts and things and/or sign such documents as considered by them to be necessary or desirable for or in connection with the implementation of the Proposal, including (without limitation) (i) any reduction of the issued share capital of the Company; (ii) the allotment and issue of the New Shares; and (iii) the giving, on behalf of the Company, of consent to any modification of, or addition or condition to, the Scheme, which the

Supreme Court of Bermuda may see fit to impose, and to do all other acts and things and/or sign such documents considered by them to be necessary or desirable in connection with the implementation of the Scheme and in relation to the proposed privatisation of the Company by the Joint Offerors by way of the Scheme as a whole.”

By the order of the Board
Hong Fok Land International Limited
Cheong Pin Chuan
Director
19 January 2022

Notes:

1. Members who are entitled to attend and vote at the SGM are those whose name appear on the register of members of the Company as at 15 February 2022. In order to qualify for the right to attend and vote at the SGM (or any adjournment thereof), all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the administrator of the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by 4:30 p.m. on Tuesday, 8 February 2022, for registration.
2. Any member entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his/her behalf at the SGM. A proxy need not be a member of the Company.
3. If more than one proxy is appointed, the appointment shall specify the number of shares in respect of which each such proxy is appointed.
4. In order to be valid, the **WHITE** form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be lodged with the administrator of the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by 10:00 a.m. on 13 February 2022 (or not less than 48 hours before the time appointed for an adjourned SGM).
5. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. A **WHITE** form of proxy for use in connection with the SGM is enclosed with the Scheme Document.