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MAJOR TRANSACTION
ACQUISITION OF LAND USE RIGHTS IN SHANGHAI, THE PRC
BY THE TENDER CONSORTIUM

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	K. Wah International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00173)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB3,730 million (equivalent to approximately HK\$4,187 million), being the total consideration for the Land Acquisition, which shall be contributed by Suzhou Jiaxu, JV Partner A and JV Partner B in the proportion of 60%, 35% and 5% respectively
“Directors”	the directors of the Company
“Framework Agreement”	the framework agreement dated 20 September 2022 entered into among Suzhou Jiaxu, JV Partner A and JV Partner B in relation to the intended acquisition of the Land Use Rights of the Land by the Tender Consortium
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the JV agreement dated 20 October 2022 entered into among Suzhou Jiaxu, JV Partner A and JV Partner B in relation to the establishment of the JV Company for the development of the Land
“JV Company”	Shanghai Jialonghui Real Estate Co., Ltd.* (上海嘉龍匯置業有限公司), a company established in the PRC with limited liability and is owned as to 60% by Suzhou Jiaxu, 35% by JV Partner A and 5% by JV Partner B
“JV Partner A”	Shanghai Longhua Property Company Limited* (上海龍華房地產有限公司), a company established in the PRC with limited liability
“JV Partner B”	Shanghai Huicheng Property Operations and Management Company Limited* (上海匯成房產經營有限公司), a company established in the PRC with limited liability

DEFINITIONS

“Land”	the land parcel with a total site area of 45,302.87 square meters situated at Huajing Town, Xuhui District, Shanghai, the PRC, and reaches Jinghong Road to the east, Xingnandong Road to the south, up to the planned greening area and Caolian Road to the west, and up to the planned greening area to the north* (東至景洪路，南至興南東路，西至規劃綠化、曹聯路，北至規劃綠化)
“Land Acquisition”	the acquisition of the Land Use Rights of the Land by the Tender Consortium
“Land Use Rights”	the state-owned construction land use rights* (國有建設用地使用權) of residential usage with a term of 70 years, office usage with a term of 50 years and other usage, namely commercial, catering and hotel with a term of 40 years
“Land Use Rights Grant Contract”	the Shanghai Municipal state-owned construction land use rights grant contract* (上海市國有建設用地使用權出讓合同) in Chinese language entered into between Shanghai Municipal Xuhui District Planning and Natural Resources Bureau as the transferor and the Tender Consortium as the transferee on 23 September 2022 in relation to the Land Acquisition
“Land Use Rights Grant Contracts”	the Land Use Rights Grant Contract and the New Land Use Rights Grant Contract
“Latest Practicable Date”	18 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excluding the option market) operated by the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“New Land Use Rights Grant Contract”	the Shanghai Municipal state-owned construction land use rights grant contract* (上海市國有建設用地使用權出讓合同) in Chinese language entered into between Shanghai Municipal Xuhui District Planning and Natural Resources Bureau as the transferor and the JV Company as the transferee on 1 November 2022 in relation to the Land Acquisition
“percentage ratios”	percentage ratios set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“PRC Governmental Body”	has the meaning ascribed to it under Rule 19A.04 of the Listing Rules
“Qualified Issuer”	has the meaning ascribed to it under Rule 14.04(10B) of the Listing Rules
“Qualified Property Acquisition”	has the meaning ascribed to it under Rule 14.04(10C) of the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Municipal Xuhui District Planning and Natural Resources Bureau”	Shanghai Municipal Xuhui District Planning and Natural Resources Bureau* (上海市徐匯區規劃和自然資源局), a PRC local bureau and a PRC Governmental Body within the meaning of Rule 19A.04 of the Listing Rules
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Option(s)”	share option(s) granted pursuant to the share option scheme of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Suzhou Jiaxu”	Suzhou Jiaxu Real Estate Development Co., Ltd.* (蘇州嘉煦房地產開發有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Tender Consortium”	a tender consortium formed by Suzhou Jiaxu, JV Partner A and JV Partner B, with funding contributed in the proportion of 60%, 35% and 5% respectively, for the purpose of jointly submitting a bid for the acquisition of the Land Use Rights of the Land through listing-for-sale
“%”	per cent

In this circular, the English terms marked with “” are translations of their Chinese counterparts and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese version shall prevail.*

For the purpose of this circular, unless otherwise indicated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.1226. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in RMB or HK\$ has been or could have been or may be converted at such or another rate or at all.



於百慕達註冊成立之有限公司 Incorporated in Bermuda with limited liability

(Stock Code: 00173)

Executive Directors:

Dr. Lui Che-woo, *GBM, MBE, JP, LLD, DSSc, DBA*
(Chairman and Managing Director)

Mr. Francis Lui Yiu Tung

Mrs. Paddy Tang Lui Wai Yu, *BBS, JP*

Mr. Alexander Lui Yiu Wah

Non-executive Director:

Dr. Moses Cheng Mo Chi, *GBM, GBS, OBE, JP*

Independent Non-executive Directors:

Dr. William Yip Shue Lam, *LLD*

Mr. Wong Kwai Lam

Mr. Nip Yun Wing

Registered Office:

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

**Principal Place of Business
in Hong Kong:**

29th Floor
K. Wah Centre
191 Java Road
North Point
Hong Kong

25 November 2022

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
ACQUISITION OF LAND USE RIGHTS IN SHANGHAI, THE PRC
BY THE TENDER CONSORTIUM**

INTRODUCTION

References are made to the announcements of the Company dated 20 September 2022, 23 September 2022 and 20 October 2022 in relation to the entering into of the Framework Agreement, the Land Acquisition and the entering into of the JV Agreement, respectively.

The purpose of this circular is, among other things, to provide you with (i) further details of the Land Acquisition; (ii) the terms of the JV Agreement; and (iii) the financial information of the Group.

ACQUISITION OF LAND USE RIGHTS

On 23 September 2022, the Tender Consortium, which is formed by Suzhou Jiaxu (an indirect wholly-owned subsidiary of the Company), JV Partner A and JV Partner B, won the bid for the acquisition of the Land Use Rights of the Land through listing-for-sale. The Land Use Rights Grant Contract in respect of the Land Acquisition was entered into on 23 September 2022 by the Tender Consortium with Shanghai Municipal Xuhui District Planning and Natural Resources Bureau.

LETTER FROM THE BOARD

The details of the Land Acquisition are as follows:

Date of the Land Use Rights Grant Contract : 23 September 2022

Parties : (1) Shanghai Municipal Xuhui District Planning and Natural Resources Bureau (as the transferor); and
(2) the Tender Consortium (as the transferee)

Location of the Land : The Land is situated at Huajing Town, Xuhui District, Shanghai, the PRC, and reaches Jinghong Road to the east, Xingnandong Road to the south, up to the planned greening area and Caolian Road to the west, and up to the planned greening area to the north* (東至景洪路，南至興南東路，西至規劃綠化、曹聯路，北至規劃綠化)

Total site area : 45,302.87 square meters

Total gross floor area : Approximately 195,800 square meters

Consideration : RMB3,730 million (equivalent to approximately HK\$4,187 million)

The Consideration shall be contributed by Suzhou Jiaxu, JV Partner A and JV Partner B in the following proportion:

	<i>Amount (RMB million)</i>	<i>Percentage (%)</i>
Suzhou Jiaxu	2,238.0	60
JV Partner A	1,305.5	35
JV Partner B	186.5	5

Payment terms : (1) a deposit of RMB746 million (equivalent to approximately HK\$837 million) (the “**Deposit**”, equivalent to 20% of the Consideration) shall be payable within 5 business days of the execution of the Land Use Rights Grant Contract (i.e. before 30 September 2022) and applied towards payment of the Consideration;
(2) RMB1,119 million (equivalent to approximately HK\$1,256 million), being 50% of the Consideration less the Deposit of RMB746 million, shall be payable within 30 days of the execution of the Land Use Rights Grant Contract (i.e. before 23 October 2022); and
(3) the remaining 50% of the Consideration, i.e., RMB1,865 million (equivalent to approximately HK\$2,094 million), shall be payable within 45 days of the execution of the Land Use Rights Grant Contract (i.e. before 7 November 2022).

As at the Latest Practicable Date, the Consideration has been fully settled.

LETTER FROM THE BOARD

- Term of the Land Use Rights and use of the Land : The Land is designated for residential usage with a term of 70 years, office usage with a term of 50 years and other usage, namely commercial, catering and hotel with a term of 40 years.
- Other information : Certain portions of the properties to be developed on the Land for commercial, office, catering and hotel usage will be held as non-current assets for recurring income.
- Refund of bidding deposit : As at the Latest Practicable Date, the bidding deposit of RMB746 million (equivalent to approximately HK\$837 million) which was paid at submission of the bid has been refunded in full to the parties of the Tender Consortium based on the amount contributed by each of them.
- The development plan of the Land : The total gross floor area of the Land is approximately 195,800 square meters, which is expected to be developed tentatively into: (i) residential units of approximately 47,700 square meters and offices of approximately 53,300 square meters to be held for sale; and (ii) offices of approximately 35,500 square meters, commercial area of approximately 9,300 square meters and catering and hotel of approximately 50,000 square meters to be held for recurring rental income.

Construction on the Land is expected to commence in January 2024 and to complete in January 2027.

BASIS FOR DETERMINING THE CONSIDERATION

The Consideration was determined by the successful bid of the Land by the Tender Consortium through listing-for-sale which was conducted in accordance with the relevant PRC laws and regulations. The Group considered the bidding price for the Land was fair after taking into account, *inter alia*, (i) the base price of the bid of RMB3,730 million (equivalent to approximately HK\$4,187 million) set by Shanghai Municipal Xuhui District Planning and Natural Resources Bureau; (ii) the current property market conditions in Xuhui District, Shanghai, the PRC and areas nearby; and (iii) the location and development potential of the Land. No independent valuation has been taken as reference for setting the bidding price.

The Group has financed its portion of the Consideration in the amount of RMB2,238 million (equivalent to approximately HK\$2,512 million) by internal resources in the form of (i) an unsecured, interest-bearing shareholder's loan, repayable in 3 years, of RMB1,038 million to and (ii) capital commitment of RMB1,200 million into the JV Company.

LETTER FROM THE BOARD

FORMATION OF THE JV COMPANY

On 20 October 2022, Suzhou Jiayu, JV Partner A and JV Partner B entered into the JV Agreement for the establishment of the JV Company for the development of the Land. On 1 November 2022, the JV Company replaced the Tender Consortium as the transferee in relation to the Land Acquisition by signing the New Land Use Rights Grant Contract with Shanghai Municipal Xuhui District Planning and Natural Resources Bureau, as transferor, which was on same terms with, and superseded, the Land Use Rights Grant Contract.

The principal terms of the JV Agreement are summarised as follows:

Date : 20 October 2022

Parties and shareholding : (1) Suzhou Jiayu;
(2) JV Partner A; and
(3) JV Partner B.

The JV Company shall be owned as to 60% by Suzhou Jiayu, 35% by JV Partner A and 5% by JV Partner B.

Principal business of the JV Company : Real estate development and operations, information consulting services, enterprise management, hotel management, commercial complex management services, construction management services, non-residential real estate leasing, property management and car-parking services.

The formation of the JV Company is for the single purpose relating to the Land Acquisition and/or development of a specific property which is consistent with the purpose specified in the Land Use Rights Grant Contracts.

Registered capital of the JV Company : RMB2,000 million (equivalent to approximately HK\$2,245 million)

The registered capital shall be contributed by Suzhou Jiayu, JV Partner A and JV Partner B in the following proportion no later than 6 November 2022:

	<i>Amount</i> <i>(RMB million)</i>	<i>Amount</i> <i>equivalent to</i> <i>approximately</i> <i>(HK\$ million)</i>	<i>Percentage</i> <i>(%)</i>
Suzhou Jiayu	1,200	1,347	60
JV Partner A	700	786	35
JV Partner B	100	112	5

LETTER FROM THE BOARD

The amount of the capital commitment to be contributed by Suzhou Jiaxu, JV Partner A and JV Partner B, the entire amount of which will form part of, and be used to pay, the Consideration of the Land Acquisition, was determined with reference to (i) the Consideration which remains outstanding; and (ii) their respective equity interest in the JV Company.

As at the Latest Practicable Date, Suzhou Jiaxu, JV Partner A and JV Partner B have paid the capital contribution of RMB1,200 million, RMB700 million and RMB100 million to the JV Company, respectively.

The capital contribution made to the JV Company by Suzhou Jiaxu has been funded by its internal resources.

Any further financing needs of the JV Company (including but not limited to the development costs of the Land) shall be funded by internal resources of the JV Company, external financing and/or shareholder's loan(s) from Suzhou Jiaxu, JV Partner A and JV Partner B in proportion to their respective equity interests in the JV Company. As at the Latest Practicable Date, save for the abovementioned capital commitment of RMB1,200 million and shareholder's loan of RMB1,038 million, all of which had been used to pay for the Consideration of the Land Acquisition, Suzhou Jiaxu has no further commitment in the JV Company.

- Board of directors/
supervisors : The board of directors of the JV Company shall comprise five directors, out of which three directors shall be appointed by Suzhou Jiaxu, and two directors shall be appointed by JV Partner A.
- There shall be no board of supervisors, and the supervisor of the JV Company shall be appointed by JV Partner B.
- Matters requiring
unanimous consent : The JV Company must not, *inter alia*, without the unanimous consent of all the partners of the JV Company:
- (i) change the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the tender documents of the Land and/or the Land Use Rights Grant Contracts relating to the Land Acquisition; or
 - (ii) enter into any transactions which are not on an arm's length basis.
- Dividend and distribution
policy : Any profits or losses in the JV Company shall be shared by Suzhou Jiaxu, JV Partner A and JV Partner B in proportion to their respective equity interests in the JV Company.

LETTER FROM THE BOARD

The JV Company shall distribute profits to Suzhou Jiaxu, JV Partner A and JV Partner B in proportion to their respective equity interest in the JV Company.

Restrictions on transfer of equity interest in the JV Company : Any shareholder of the JV Company who intends to dispose of its interest in the JV Company shall grant the other shareholders of the JV Company a right of first refusal to such equity interest.

As at the Latest Practicable Date, the JV Company has been established.

FINANCIAL EFFECTS OF THE LAND ACQUISITION

As the Group has financed its contribution to the Consideration using its internal resources, the investment properties and development properties of the Group will have an increase amounting to RMB3,730 million arising from the Land and the cash balances of the Group will decrease by RMB2,238 million, and non-controlling interest representing the portions of the Consideration contributed by JV Partner A and JV Partner B will increase by RMB1,492 million.

The JV Company would be accounted for as a non-wholly owned subsidiary of the Company, whose financial results, assets and liabilities will be consolidated into the financial statements of the Group.

Save as the abovementioned, the Directors consider that the Land Acquisition will not have any other material effect on the total assets, total liabilities and earnings of the Group.

REASONS FOR AND BENEFITS OF THE LAND ACQUISITION AND THE FORMATION OF THE JV COMPANY

The Land is located in the south of Xuhui District, Shanghai, the PRC, a core development zone planned for artificial intelligence and life health industries. The Land is connected to Shanghai Metro Line No. 15 West Huajing Metro Station and in close proximity to a multiple railways interchange such as Shanghai Metro Line No. 19 and No. 23 and Airport Link Line under construction, which is of great potential for development of properties. The Board believes that the Land Acquisition represents an excellent investment opportunity for the Group to be engaged in a transit-oriented development to expand its presence in the Shanghai property market, replenish the Group's land bank and is in line with the Group's business development strategy and planning. It considers that the Land Acquisition is expected to bring a satisfactory return to the Group from the disposal of the properties to be developed on the Land by the JV Company, and share of future recurring income and potential capital gain from the retained portions of the properties on the Land.

Furthermore, the establishment of the JV Company is for the development of the Land, and the Group, JV Partner A and JV Partner B can share their respective expertise and experience in the co-operation and joint venture, which will provide synergy to the development of the Land.

The Board confirms that (i) the terms of the JV Agreement are on arm's length basis and on normal commercial terms; (ii) the Land Acquisition is in the ordinary and usual course of business of the Group; and (iii) the Land Acquisition and the terms of the JV Agreement, including its financing and profit distribution arrangements, are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. Its principal subsidiaries are mainly engaged in property development and property investment in Hong Kong and the PRC.

Suzhou Jiaxu

Suzhou Jiaxu is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The principal business activity of Suzhou Jiaxu is property development.

JV Partner A

JV Partner A is a company established in the PRC with limited liability and beneficially owned as to 100% by Shanghai Xuhui District Huajing Town Financial Management Office* (上海市徐匯區華涇鎮財經管理事務所), which is a state-owned enterprise. JV Partner A is mainly engaged in real estate development and operation, project construction management, property sales and leasing, and property management.

JV Partner B

JV Partner B is a company established in the PRC with limited liability and beneficially owned as to 100% by the State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District* (上海市徐匯區國有資產監督管理委員會). The principal business activity of JV Partner B is real estate development and operation.

Shanghai Municipal Xuhui District Planning and Natural Resources Bureau

Shanghai Municipal Xuhui District Planning and Natural Resources Bureau is a PRC local bureau and a PRC Governmental Body within the meaning of Rule 19A.04 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, (i) save for the 35% and 5% equity interest that JV Partner A and JV Partner B respectively hold in the JV Company, JV Partner A, JV Partner B and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons; and (ii) Shanghai Municipal Xuhui District Planning and Natural Resources Bureau and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Land Acquisition and the formation of the JV Company (which the entire amount of the capital contribution by Suzhou Jiaxu, JV Partner A and JV Partner B formed part of, and was used to pay, the Consideration of the Land Acquisition) exceeds 25% but is less than 100%, the Land Acquisition and the formation of the JV Company constitute a major transaction for the Company under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

As the Group's principal business activities include property development, the Company is regarded as a Qualified Issuer under Rule 14.04(10B) of the Listing Rules. Besides, the Land Acquisition is regarded as a Qualified Property Acquisition under Rule 14.04(10C) of the Listing Rules as it involves an acquisition of governmental land(s) from a PRC Governmental Body through listing-for-sale governed by the PRC laws (as defined under the Listing Rules).

The Land Acquisition is undertaken by the Group via Suzhou Jiayu on a joint basis with JV Partner A and JV Partner B, and conducted in the Group's ordinary and usual course of business. According to the JV Agreement which is prepared on an arm's length basis and on normal commercial terms, the formation of the JV Company is for the single purpose relating to the Land Acquisition and/or development of a specific property which is consistent with the purpose specified in the Land Use Rights Grant Contracts. The JV Agreement also contains clauses that the JV Company must not, without the unanimous consent of all the partners of the JV Company, (i) change the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the tender documents of the Land and/or the Land Use Rights Grant Contracts relating to the Land Acquisition; or (ii) enter into any transactions which are not on an arm's length basis.

Given that the JV Agreement is in compliance with Rule 14.33A of the Listing Rules, the Land Acquisition is qualified for the exemption for a Qualified Property Acquisition under Rule 14.33A of the Listing Rules and in such case, the Land Acquisition is subject to reporting, announcement and circular requirements but exempt from Shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the Land Acquisition and the establishment of the JV Company are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. None of the Directors have any material interest in the Land Use Rights Grant Contracts and the JV Agreement.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board of
K. Wah International Holdings Limited
Dr. Lui Che-woo
Chairman and Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the last three financial years ended 31 December 2019, 2020 and 2021 and the six-month period ended 30 June 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.kwih.com>):

- (a) the audited consolidated financial statements of the Group for the year ended 31 December 2019 as set out on pages 69 to 138 of the 2019 annual report of the Company which was posted on 20 April 2020 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042000788.pdf>);
- (b) the audited consolidated financial statements of the Group for the year ended 31 December 2020 as set out on pages 69 to 138 of the 2020 annual report of the Company which was posted on 26 April 2021 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042601165.pdf>);
- (c) the audited consolidated financial statements of the Group for the year ended 31 December 2021 as set out on pages 69 to 138 of the 2021 annual report of the Company which was posted on 26 April 2022 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042600880.pdf>); and
- (d) the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 as set out on pages 10 to 26 of the 2022 interim report of the Company which was posted on 22 September 2022 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0922/2022092201550.pdf>).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 September 2022, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had approximately HK\$15,280 million outstanding indebtedness comprising the following debts:

- (a) HK\$1,488 million bank borrowings were guaranteed and secured by the Group's certain development properties and investment properties;
- (b) HK\$663 million bank borrowings were unguaranteed but were secured by the Group's certain land and building, investment properties and right-of-use assets;
- (c) HK\$13,120 million bank borrowings were guaranteed but unsecured; and
- (d) lease liabilities of HK\$9 million relating to premises leased by the Group as lessee were unsecured.

Contingent liabilities

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

As at 30 September 2022, the Group provided guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for certain purchasers of the Group's properties in the PRC amounting to approximately HK\$1,804 million.

As at 30 September 2022, the Group provided guarantees in respect of financial guarantees given to the financial institutions for the loan facilities extended to the Group's joint ventures and associated companies amounting to approximately HK\$7,049 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the Group, at the close of business on 30 September 2022, the Group did not have any (i) debt securities of the Group issued and outstanding, and authorised or otherwise created but unissued, and term loans; (ii) other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; (iii) mortgages and charges; and (iv) any material contingent liabilities or guarantees.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the financial resources available to the Group including the internally generated funds and the present available bank facilities, and taking into account the impact of the Land Acquisition, the Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

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

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in property development and investment in Hong Kong and the PRC.

It is noted that major economies have kicked off their interest rate-hiking cycles. In particular, the United States has raised its Federal funds rate by 3.75% since the beginning of 2022 and more is expected to come.

With Hong Kong dollars pegged to the US dollars, the US Federal funds rate hikes have been driving higher the HIBORs, referenced to which mortgage rates are set, and damping market sentiment. Nevertheless, resilient buyers' demand in Hong Kong still ensured the stability of the residential property market while unemployment rate has been trending down. The concerns over slowing PRC economic growth and consequential impacts of debt crisis amongst PRC developers have dampened buyers' sentiment in PRC. The Group however noted mortgage rates there are declining and banks are speeding up approvals and release of mortgage funding to buyers which it believes will provide support in stabilising the property market in the PRC. The COVID-19 is now increasingly under control and economic activities are also becoming more normalized.

Despite the challenging business environment ahead, demand for quality residential properties by potential buyers always remains. The Group continues to be cautiously optimistic on the stable and healthy development of the local and PRC property markets in the medium to long term. On the back of its extensive experience garnered over the years, the Group will continue to launch more new premium projects for sale. It is believed the new central leadership will likely adopt more supportive and stimulus policies/measures to boost its economy. The Hong Kong Government on its new term may implement more policies to ensure a healthy property market. The Group will capitalize on its solid financial strengths and prudent land replenishment strategy to grasp various opportunities for development in Hong Kong, the Yangtze River Delta and Pearl River Delta regions.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept under section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long Positions in the Shares (including underlying Shares)

Name of Director	Capacity/Nature	Number of Shares and underlying Shares held	Approximate % of issued share capital of the Company
Dr. Lui Che-woo	Beneficial owner	31,005,941	65.62%
	Interest of spouse ^(Note 1)	8,317,120	
	Interest in controlled corporation ^(Note 2)	334,612,213	
	Others ^(Note 3)	<u>1,681,776,769</u>	
		2,055,712,043	
Mr. Francis Lui Yiu Tung	Beneficial owner	11,138,035	54.04%
	Others ^(Note 3)	<u>1,681,776,769</u>	
		1,692,914,804	

Name of Director	Capacity/Nature	Number of Shares and underlying Shares held	Approximate % of issued share capital of the Company
Mrs. Paddy Tang Lui Wai Yu	Beneficial owner	27,457,605	54.56%
	Interest in controlled corporation ^(Note 4)	210,000	
	Others ^(Note 3)	<u>1,681,776,769</u>	
		1,709,444,374	
Mr. Alexander Lui Yiu Wah	Beneficial owner	17,851,428	54.38%
	Interest in controlled corporation ^(Note 5)	4,005,183	
	Others ^(Note 3)	<u>1,681,776,769</u>	
		1,703,633,380	
Dr. Moses Cheng Mo Chi	Beneficial owner	849,175	0.03%
Dr. William Yip Shue Lam	Beneficial owner	1,052,726	0.03%
Mr. Wong Kwai Lam	Beneficial owner	1,040,000	0.03%
Mr. Nip Yun Wing	Beneficial owner	160,000	0.01%

Notes:

- (1) Dr. Lui Che-woo is deemed to be interested in 8,317,120 Shares through the interests of his spouse.
- (2) Such Shares are held by companies which are controlled by Dr. Lui Che-woo.
- (3) Such interests in the Shares are indirectly held by a company which is the trustee of a discretionary family trust established by Dr. Lui Che-woo as settlor. Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah are deemed to be interested in those Shares by virtue of being the discretionary beneficiaries of the discretionary family trust.
- (4) Such Shares are held by a company controlled by Mrs. Paddy Tang Lui Wai Yu.
- (5) Such Shares are held by a company controlled by Mr. Alexander Lui Yiu Wah.

(b) Underlying Shares — Share Options

Share Options, which are unlisted and physically settled, to subscribe for Shares were beneficially held by certain Directors.

Name of Director	Number of outstanding Share Options held as at the Latest Practicable Date	Date of grant	Exercise price per Share (HK\$)	Exercise period
Dr. Lui Che-woo	2,900,000	17 Jul 2017	4.760	17 Jul 2018 — 16 Jul 2023
	3,000,000	18 Jul 2018	4.520	18 Jul 2019 — 17 Jul 2024
	3,100,000	15 Jul 2020	3.462	15 Jul 2021 — 14 Jul 2026
Mr. Francis Lui Yiu Tung	1,300,000	17 Jul 2017	4.760	17 Jul 2018 — 16 Jul 2023
	1,300,000	18 Jul 2018	4.520	18 Jul 2019 — 17 Jul 2024
	1,300,000	15 Jul 2020	3.462	15 Jul 2021 — 14 Jul 2026
Mrs. Paddy Tang Lui Wai Yu	2,900,000	17 Jul 2017	4.760	17 Jul 2018 — 16 Jul 2023
	3,000,000	18 Jul 2018	4.520	18 Jul 2019 — 17 Jul 2024
	3,100,000	15 Jul 2020	3.462	15 Jul 2021 — 14 Jul 2026
Mr. Alexander Lui Yiu Wah	2,900,000	17 Jul 2017	4.760	17 Jul 2018 — 16 Jul 2023
	3,000,000	18 Jul 2018	4.520	18 Jul 2019 — 17 Jul 2024
	3,100,000	15 Jul 2020	3.462	15 Jul 2021 — 14 Jul 2026
Dr. Moses Cheng Mo Chi	160,000	17 Jul 2017	4.760	17 Jul 2018 — 16 Jul 2023
	160,000	18 Jul 2018	4.520	18 Jul 2019 — 17 Jul 2024
	160,000	15 Jul 2020	3.462	15 Jul 2021 — 14 Jul 2026
Dr. William Yip Shue Lam	160,000	17 Jul 2017	4.760	17 Jul 2018 — 16 Jul 2023
	160,000	18 Jul 2018	4.520	18 Jul 2019 — 17 Jul 2024
	160,000	15 Jul 2020	3.462	15 Jul 2021 — 14 Jul 2026
Mr. Wong Kwai Lam	160,000	17 Jul 2017	4.760	17 Jul 2018 — 16 Jul 2023
	160,000	18 Jul 2018	4.520	18 Jul 2019 — 17 Jul 2024
	160,000	15 Jul 2020	3.462	15 Jul 2021 — 14 Jul 2026
Mr. Nip Yun Wing	160,000	15 Jul 2020	3.462	15 Jul 2021 — 14 Jul 2026

Note:

All the options granted were subject to a one-year vesting period.

Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, by virtue of their deemed interests in the Shares as described in Note (3) in section (a) "Long Positions in the Shares (including underlying Shares)" above and as Directors of the Company, are deemed to be interested in the issued share capital of every subsidiary, joint venture and associated company of the Company held through the Company under the provision of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

As at the Latest Practicable Date, the following Directors were directors of companies which had an interest in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (i) Dr. Lui Che-woo is a director of CWL Assets (PTC) Limited, Super Focus Company Limited, Star II Limited and Favor Right Investments Limited, which are interested in approximately 53.68%, 35.76%, 8.45% and 7.34% of the issued share capital of the Company, respectively;
- (ii) Dr. Moses Cheng Mo Chi is a director of CWL Assets (PTC) Limited, a company which is interested in approximately 53.68% of the issued share capital of the Company; and
- (iii) Dr. Lui Che-woo is a director of Lui Che Woo Foundation Limited, a company which is interested in approximately 6.58% of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) was a director or employee of a company which had any interest in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature	Number of Shares held (long position)	Approximate % of issued share capital of the Company
HSBC International Trustee Limited	Trustee	1,683,018,737 ^(Note)	53.72%
CWL Assets (PTC) Limited	Trustee	1,681,776,769	53.68%
Super Focus Company Limited	Beneficial owner	1,120,247,673	35.76%
Star II Limited	Interest in controlled corporation	264,752,460	8.45%
Favor Right Investments Limited	Beneficial owner	229,857,444	7.34%
Lui Che Woo Foundation Limited	Beneficial owner	206,285,639	6.58%
Premium Capital Profits Limited	Beneficial owner	184,229,079	5.88%

Note: HSBC International Trustee Limited is the trustee of the trust established by Dr. Lui Che-woo as the settlor, was interested in 1,681,776,769 Shares.

There was duplication of interests of 1,681,776,769 Shares among Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu, Mr. Alexander Lui Yiu Wah, HSBC International Trustee Limited and CWL Assets (PTC) Limited. Of these Shares, 1,120,247,673 Shares were interested by Super Focus Company Limited, 66,919,192 Shares were interested by Best Chance Investments Ltd., 229,857,444 Shares were interested by Favor Right Investments Limited, 184,229,079 Shares were interested between Premium Capital Profits Limited and Star II Limited and 80,523,381 Shares were interested between Mark Liaison Limited and Star II Limited.

Save as disclosed above, as at the Latest Practicable Date and so far as is known to any Director or chief executive of the Company, no other person had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah (collectively, the "**Relevant Directors**"), as either directly or indirectly through a discretionary family trust and other privately-owned companies, are deemed to be interested in several independently managed companies, which are also engaging in property investment, trading, and development. The business of these companies ("**Competing Business**") may compete, directly or indirectly, with the business of the Group. The Relevant Directors are also directors of certain holding companies of the Competing Business.

Notwithstanding the interests of the Relevant Directors in the Competing Business disclosed above, the Group is able to carry on its business independent of, and at arm's length from, the Competing Business, given that the Company has a strong and independent Board with half of the Directors being non-executive/independent non-executive Directors as at the Latest Practicable Date. These non-executive/independent non-executive Directors are professionals (audit/accounting and legal) or prominent businessmen. The Company has established corporate governance procedures, which ensure investment opportunities and business performance are independently assessed and reviewed. The Relevant Directors are fully aware of their fiduciary duty to the Company, and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore consider that the Group's interests are adequately safeguarded.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and his/her close associates is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

On 20 August 2020, the Company and Polymate Co., Ltd. ("**Polymate**") (a wholly-owned subsidiary of a substantial shareholder of the Company and such substantial shareholder is also the trustee of a discretionary family trust established by Dr. Lui Che-woo as settlor and of which members of Lui's family, including Dr. Lui Che-woo, Mr. Francis Lui Yiu Tung, Mrs. Paddy Tang Lui Wai Yu and Mr. Alexander Lui Yiu Wah, are the discretionary beneficiaries) had entered into a master lease agreement, pursuant to which the Group (as lessee) may renew or enter into new leases with the group companies of Polymate (as lessor) in respect of the leasing and/or licensing of certain properties and car-parking spaces beneficially owned by the respective subsidiaries of Polymate for a term of 3-year period from 1 November 2020 to 31 October 2023 (both days inclusive). Further details are set out in the announcement of the Company dated 20 August 2020.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which was significant in relation to the businesses of the Group.

6. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) None of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which was not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

7. MATERIAL CONTRACTS

To the best of the Directors' knowledge, information and belief, no contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material.

8. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

9. MISCELLANEOUS

- (a) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.
- (b) The company secretary of the Company is Ms. Cecilia Lee Wai Kwan who is a solicitor qualified in Hong Kong and a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (c) The principal place of business of the Company in Hong Kong is at 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong. The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.
- (d) The principal share registrar and transfer office of the Company in Bermuda is MUFG Fund Services (Bermuda) Limited, 4th floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited whose address is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS ON DISPLAY

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

- (a) the Framework Agreement;
- (b) the Land Use Rights Grant Contract;
- (c) the JV Agreement; and
- (d) the New Land Use Rights Grant Contract.