



## **Valuation Report**

prepared for

**Chong Kin Group Holdings Limited**  
**(Stock Code: 1609)**

Valuation of 100% Equity Interest of Kingdom  
Honour Holdings Limited

**Vincorn Consulting and  
Appraisal Limited**  
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## **The Board of Directors**

Chong Kin Group Holdings Limited  
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Wanchai, Hong Kong

24 August 2023

### **1. Preambles**

#### **1.1. Instruction**

Vincorn Consulting and Appraisal Limited (“**Vincorn**”) are pleased to submit our valuation report, which has been prepared for Chong Kin Group Holdings Limited (the “**Instructing Party**”, or the “**Company**”, together with its subsidiaries, the “**Chong Kin Group**” or the “**Group**”) for transaction purposes.

The valuation has been carried out in accordance with the service agreement (the “**Service Agreement**”) signed between the Instructing Party and Vincorn. The extent of our professional liability to you is outlined in the Service Agreement.

#### **1.2. Subject**

Valuation of 100% equity interest of Kingdom Honour Holdings Limited (“**Kingdom**” together with its subsidiaries, the “**Kingdom Group**”), a wholly owned subsidiary of the Company, does not possess any operating business, and its asset mainly consists of cash and receivable due from Government of Grenada.

#### **1.3. Valuation Date**

The valuation date is 30 June 2023.

#### **1.4. Valuation Basis**

The valuation has been prepared in accordance with the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council, where applicable.

The valuation would be carried out on market value basis.

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

### **1.5. Currency**

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollar (“**HKD**”).

### **1.6. General Reservations**

The purposes of the valuation do not alter the approach of the valuation.

A valuation is a prediction of price, not a guarantee. By necessity, it requires valuers to make subjective judgements that, even when logical and appropriate, may differ from those made by a purchaser or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

Business values can change substantially, even over a short period of time, so our opinion of values could differ significantly if the date of valuation was to change. If you wish to rely on our valuation for any other dates you should consult us first. We recommend that you keep the valuation under frequent review. You should not rely on this report unless any reference to the legal titles has been verified as correct by your legal advisers.

### **1.7. Statement of Independence**

We hereby certify that we have neither present nor prospective interest in the Group, their respective subsidiaries and associated companies or the result reported. In addition, our directors are neither directors, supervisors nor officers of the Group.

In the course of our valuation, we are acting independently of all parties. Our fees are agreed on a lump-sum basis and are not correlated with the results of our valuation.

## **2. Purpose of Valuation**

The purpose of this valuation is to express an independent opinion on the market value of 100% Equity Interest of Kingdom Group as at the Valuation Date. It is our understanding that this valuation will be used by the directors and management of the Company for public documentation purpose.

We understand that our valuation report may be included in the Company’s public document(s) and disclosed to other parties including its directors, shareholders, auditors and the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). Nonetheless, we will not be liable to any parties other than the addressee of the valuation report.

## **3. Scope of Work**

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, and / or its representative (together referred to as the “**Management**”).

In the course of our valuation, the following processes have been conducted to evaluate the information provided by the Management:

- Discussion with the Management and obtained relevant information and operational information in respect of the Kingdom Group;
- Examined the relevant basis and assumptions of the financial information in respect of the Subject provided by the Management;
- Conducted appropriate researches to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and
- Arriving at our valuation opinion based on the assumptions stated in this report and on information provided by the Management

No on-site inspection has been made as part of the agreed-upon procedures for this valuation task.

#### **4. Sources of Information**

In conducting our valuation of the Kingdom Group, we have considered, reviewed and relied upon the following key information which is available to the public or provided by the Management:

- Background of the Kingdom Group and relevant corporate information;
- Audited consolidated financial statements of the Kingdom Group for the year ended 31 March 2023 and respective breakdown as of 31 March 2023 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”); and
- S&P Capital IQ database and other reliable sources.

For further independent work performed by us, please refer to paragraph headed “Assessment on Assets and Liabilities” in this report below.

#### **5. Valuation Assumption and Rationale**

For the purpose of determining the market value of the Kingdom Group, we have considered all the prominent factors affecting the value and assumed, including but not limited to, the following:

- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Kingdom Group;
- We have assumed that the conditions in which the Kingdom Group is operated, and which are material to revenue and costs of the businesses of the Kingdom Group will have no material change from Valuation Date and onwards;

- We have assumed that the financial information of the Kingdom Group, has been prepared on a reasonable basis after due and careful consideration by the Management;
- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Kingdom Group;
- Except for the licenses and permits related to the Grenada Project, which has been terminated in 2021, we have assumed that all licenses and permits that is essential for the operation of the Kingdom Group can be obtained and are renewable upon expiry; and
- We have assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

## **6. Valuation Methodology**

### **6.1. Selection of Valuation Approach**

There are three generally accepted approaches to assess market values, namely, Market Approach, Asset-based Approach and Income Approach. Each of these approaches is appropriate in one or more circumstances. Whether to adopt a particular approach will be determined with reference to the most common adoption when similar business is being valued.

#### *Market Approach*

Market Approach values assets based on comparison with recent market transactions of selling similar assets. Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative.

While useful for certain purposes, the Market Approach was not adopted in this case because Kingdom Honour had no core operating history in recent years, there were no suitable multiples can be applied in the valuation analysis.

#### *Asset-based Approach*

Asset-based Approach values assets with reference to the accumulating costs that would incur in order to replace or reproduce the assets in its current condition. This approach is not considered to be an appropriate approach to valuing income-generating assets as it generally does not capture the future expected returns to the asset.

We have considered that Asset-based approach was appropriate for the valuation of Kingdom Group, given that participants would be able to recreate an asset with substantially the same utility as Kingdom Group, without regulatory or legal restrictions. It has assumed that the market value of Kingdom Group will be equal to the sum of each of the components of assets and liabilities are individually valued, their sum represents the value of Kingdom Group.

#### *Income Approach*

Income Approach values the asset by reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the asset.

The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realizing those benefits.

We have also considered that the income approach is not optimal to value the Kingdom Group as this approach involves financial forecast information and the adoption of more assumptions than the other two approaches, not all of which can be easily justified or ascertained.

## **6.2. Assessment of expected credit loss for receivables due from Government of Grenada**

### **Exposure**

The exposure of the balance for the receivable due from Government of Grenada as at 31 March 2023 is USD20,000,000.

### **Expected Credit Loss (“ECL”) Rate**

Expected credit loss rates are computed in the following method:

- Assessed the credit standing of Government of Grenada with reference to the country rating conducted by Standard & Poor's Financial Services LLC. The credit rating of Government of Grenada is Selective Default.
- With reference to the methodology of estimating recovery rates adopted by Moody's Investors Service, the recovery rate of defaulted sovereign bonds can be estimated by making reference to the market price of defaulted bonds. It is based on the fact that the market price of a bond already in default (i.e. 100% probability of default) should have already reflected the default situation as well as the market expectation on the recoverability of the defaulted bonds.
- The market price of the sovereign bonds of Grenada should have also reflected all the available public information and news, including the transfer of the Government of Grenada, as at the Valuation Date.
- As advised by management, the refund from Grenada Government is expected to be at least partially recovered after considering the expected credit loss of the refund from Grenada Government as at Valuation Date since Kingdom Group and Grenada Government are working on ongoing negotiation.

- In assessing the ECL rate, we have adopted the recovery rate of 83/100, which is the market price of sovereign bonds of Grenada as quoted from S&P Capital IQ database as at the Valuation Date. The deposit refund due from Grenada Government and the Grenada Government bond are both due from the same debtor (i.e. the Grenada Government). Under a hypothetical default scenario, it is assumed that Grenada Government would repay the relevant amounts to the owner of the deposit refund and Grenada Government bond on a pro-rata basis based on the due amount. Therefore, the deposit refund and Grenada Government bond should subject to the same recovery rate.
- The ECL rate for the receivable due from of Government of Grenada is derived by the formula below: ECL Rate = Probability of Default (100%) × (1 - Recovery Rate)

Summary for ECL:

Debtors	Exposure Amount (USD)	Expected Credit Loss (USD)	Net Book Value (USD)	Net Book Value (HKD) <sup>1</sup>
Ministry of Finance, Grenada	20,000,000	3,400,000	16,600,000	129,206,100

ECL Rate: 17%<sup>2</sup>

*Note:*

1. by referencing the exchange rate published by Inland Revenue Department, Hong Kong
2. this methodology for ECL assessment is consistent with the methodology adopted for ECL assessment on the same receivable from Government of Grenada in previous valuation for the purpose of appraising such receivable recorded on the consolidated financial statements of the Kingdom Group as at 31 March 2022 and 30 September 2022.

Summary of Prepayment and other receivables:

Prepayment and prepaid expenses	6,420,592
Receivable due from Government of Grenada, net	129,388,700
<b>Total</b>	<b>135,809,292</b>

### 6.3.Valuation of Kingdom Group by Asset-based Approach

The asset-based approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Valuation Date and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current market value of the business or its assets. In this valuation, adjusted net asset value method is adopted.

Details of the consolidated statement of financial position of Kingdom Group as at the Valuation Date are as follows:

<b>Assets/Liabilities</b>	<b>Book Value</b>	<b>Adjustments</b>	<b>Market Value</b>
	Audited (HKD)	(HKD)	(HKD)
<b>Non-Current Assets</b>			
Property, plant and equipment	434,098	0	434,098
<b>Current Assets</b>			
Prepayment and other receivables	135,809,292	(182,600) <sup>1</sup>	135,626,692
Cash and cash equivalents	155,897,838	0	155,897,838
<b>Current Liabilities</b>			
Trade and other payables	(30,122,039)	0	(30,122,039)
Amount due to the Group	(360,922,819)	298,751,998 <sup>2</sup>	(62,170,822)
<b>Net Asset Value</b>			199,665,767

Note:

1. The adjustment relates to the currency exchange rate (USD:HKD) difference between the Valuation Date and 31 March 2023 which is the date of Kingdom Group's financial statements provided by management.
2. The adjustment relates to the proposed capitalisation of the intercompany fund advanced from the Group to Kingdom Group, details of which are set out under paragraph headed "Amount due to the Group" in this section below.

### **Assessment on Assets and Liabilities**

We have made enquiries to the Management on the details of the nature, breakdown and respective supporting of the balance sheet items of Kingdom Group, gained an understanding of these balance sheet items necessary for us to appraise their respective market value and reviewed the respective supporting documents provided by the Management. Having considered the sources of the information as set out under paragraph headed "4. Sources of Information" in this report above in addition to the work performed by the us, including inspecting the documentations supporting the balance sheet items of Kingdom Group provided by the Management, we have not identified any reasons and/or factors which would render the historical financial information of the Kingdom Group used in the Valuation Report inappropriate as a basis to assess the appraised value and during the course of our work, we have not come across any material discrepancies or matters which would affect our assumptions applied under the valuation. On this basis, save for the adjustment related to the proposed capitalisation of an amount due to the Group further detailed below, we are of the view that the respective book value of the balance sheet items as set out above fairly represent the market value.

Assets

#### Property, plant and equipment



Property, plant and equipment (“PPE”) is mainly referring to the furniture, fixture and office equipment. These assets are purchased from external third parties on arm’s length basis and have been depreciated in accordance with Kingdom Group’s depreciation policies. We have been provided the list of PPE, cost, accumulated depreciation and net book values of the PPE items, we have inspected the calculation of net book values and the reasonableness of the depreciation period, its net book value is considered to be fairly close to the respective market value as of the Valuation Date.

#### Prepayment and other receivables

Prepayment and other receivables mainly represent (i) Prepayment and prepaid expenses, and (ii) Amount due from Government of Grenada. The nature of prepayment and prepaid expenses are referred to the deposit of electricity and rent and marketing agent fees. We have inspected the breakdown and aging for the deposit amount, and considering the prepaid nature of such items, its net book value is deemed to have closely reflected its market value without any discount or premium to be applied. For the Amount due from Government of Grenada, it has been assessed for the aforementioned expected credit losses as of the Valuation Date.

#### Cash and cash equivalents

Cash and the bank balances represent liquid cash with no restriction nor limitation on its usage. We have inspected the bank statement provided by the Management, and its book value is deemed to have fully reflected its market value.

#### Liabilities

##### Trade and other payables

Trade and other payables represent the accrued expenses to the construction liability, salary expenses and the deferred income. We have been provided the detail breakdown and respective aging of the payables, and confirmed with the Management that such expenses and deferred income would be settled and recognized within one year’s period. Given the current in nature of the Trade and other payables, its net book value is deemed to have reflected its market value without any discount or premium to be applied.

##### Amount due to the Group

Amount due to the Group of approximately HK\$360.9 million represents the outstanding intercompany fund advanced from ultimate holding company which are unsecured and interest-free. Since the amount is considered to be partially equity capital contribution made by the Group for the development of the project in Grenada, the Group propose to capitalise the amount of approximately HK\$298.8 million as equity prior to the share buy-back offer, while the remaining balance of HK\$62.2 million will be payable to the Group after the close of the share buy-back offer.

#### **6.4. Summary of Kingdom Group Valuation**

Details of the 100% equity interest of Kingdom Group as at the Valuation Date are as follows:

	<b>HKD</b>
Current Assets	291,524,530
Non-current Assets	434,098
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Total Assets	291,958,628
Current Liabilities	(92,292,861)
Non-current Liabilities	-
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Total Liabilities	(92,292,861)
Net Asset Value (100%)	199,665,767
<b>Market Value of 100% Equity Interest of Kingdom Group (rounded)</b>	<b>199,670,000</b>

## **7. Limiting Conditions**

Our valuation is confidential to you, for your sole use and for the specific purpose stated.

We will not accept responsibility to any third party in respect of its contents.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered.

No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers. Our conclusions assume continuation of prudent management over a reasonable and necessary period of time to maintain the character and integrity of the assets valued.

## 8. Valuation Conclusion

In our opinion, on the basis of the assumption and information made available to us, the market value of 100% Equity Interest of Kingdom Honour Holdings Limited as at 31 March 2023 is reasonably estimated at:

**HKD 199,670,000**  
**(HONG KONG DOLLARS ONE HUNDRED NINETY NINE MILLION SIX HUNDRED AND SEVENTY THOUSAND)**

Yours faithfully,  
for and on behalf of

**Vincorn Consulting and Appraisal Limited**



**Freddie Chan**  
*BBA-FIN (Hons)*  
*CFA ACCA FRM MRICS RICS Registered*  
*Valuer*  
Executive Director



**Vincent Cheung**  
*BSc(Hons) MBA FRICS MHKIS RPS(GP)*  
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*RICS Registered Valuer*  
*Registered Real Estate Appraiser and*  
*Agent PRC*  
Managing Director

### Note:

*Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong Institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 25 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.*

*Freddie Chan is a CFA® charterholder, an Association of Chartered Certified Accountants (ACCA®) charterholder a FRM® charterholder, a Member of the Royal Institution of Chartered Surveyors (MRICS®) and Registered Valuer of the Royal Institution of Chartered Surveyors, who expertizes in corporate and intangible valuation sector. He has over 13 years of professional experiences in banking, finance, corporate advisory and valuation experiences. His experience on valuations covers Hong Kong, Mainland China, Australia, United States, Europe and other overseas countries.*

