SHENZHEN JIAJINLONG INDUSTRIAL DEVELOPMENT CO., LTD.
深圳市嘉進隆實業發展有限公司

ACCOUNTANTS' REPORT
FOR THE YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023 AND
THE SIX MONTHS ENDED 30 JUNE 2024

SHENZHEN JIAJINLONG INDUSTRIAL DEVELOPMENT CO., LTD.
深圳市嘉進隆實業發展有限公司
FOR THE YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023 AND THE SIX MONTHS ENDED 30 JUNE 2024

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHENZHEN JIAJINLONG INDUSTRIAL DEVELOPMENT CO., LTD TO THE DIRECTOR OF GILSTON GROUP LIMITED

Introduction

We report on the historical financial information of 深圳市嘉進隆實業發展有限公司 (Shenzhen Jiajinlong Industrial Development Co., Ltd., the "Target Company") set out on pages 4 to 36, which comprises the statements of financial position of the Target Company as at 31 December 2021, 2022 and 2023 and 30 June 2024, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the three years ended 31 December 2023 and the six months ended 30 June 2024 (the "Relevant Periods"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 4 to 36 forms an integral part of this report, which has been prepared for inclusion in the circular of Gilston Group Limited (the "Company") dated 25 November 2024 (the "Circular") in connection with the Share Subscription (as defined in the Circular).

Director's responsibility for the Historical Financial Information

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

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

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Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024 and its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information

Review of stub-period comparative financial information

We have reviewed the stub-period comparative financial information of the Target Company, which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2023 and other explanatory information (the "Stub-Period Comparative Financial Information").

The director of the Target Company are responsible for the preparation of the Stub-Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub-Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub-Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 3 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about dividends have been declared and paid by the Target Company in respect of the Relevant Periods.

SFAI (HK) CPA Limited

SFAI (HK) CPA Limited
Certified Public Accountants

Lee Yan Fai
Practising Certificate Number: P06078
Hong Kong

25 November 2024

Preparation of the Historical Financial Information

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

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA and, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Target Company. All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2023 RMB'000	For the six months ended 30 June 2023 RMB'000 (unaudited)	For the six months ended 30 June 2024 RMB'000
Revenue	6	214,181	217,691	174,071	92,696	69,602
Other gain and loss, net	7	696	2,127	647	687	1,914
Depreciation	9	(48,165)	(53,182)	(36,463)	(18,112)	(18,292)
Utilities		(13,669)	(14,304)	(13,461)	(4,880)	(5,860)
Property management fee	9	-	-	(31,363)	-	(43,593)
Other expenses		(26,513)	(27,085)	(25,965)	(14,192)	(11,110)
Reversal of (impairment losses) on trade and other receivables	9	(1,058)	(915)	1,037	-	45
Finance costs	8	(2,308)	(1,144)	(148)	(147)	(1)
Profit (loss) before income tax	9	123,164	123,188	68,355	56,052	(7,295)
Income tax expense	10	(30,799)	(31,498)	(24,220)	(14,013)	(6,671)
Profit (loss) for the year/period		92,365	91,690	44,135	42,039	(13,966)

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	As at 30 June 2024 RMB'000
ASSETS					
Non-current asset					
Property, plant and equipment	14	142,786	99,405	64,430	46,138
Current assets					
Trade and other receivables	15	1,119	6,461	4,075	5,702
Amounts due from a director and related companies	16	-	115,313	209,656	211,726
Cash and cash equivalents	17	123,249	59,735	43,788	36,900
		124,368	181,509	257,519	254,328
Current liabilities					
Trade and other payables	18	45,721	50,031	73,257	83,658
Amounts due to a director and related companies	19	48,967	-	-	-
Bank loans	20	100	-	-	-
Tax payable		13,357	9,518	6,393	3,398
Lease liabilities	21	16,858	9,604	-	-
		125,003	69,153	79,650	87,056
Net current (liabilities) assets		(635)	112,356	177,869	167,272
Total assets less current liabilities		142,151	211,761	242,299	213,410
Non-current liabilities					
Lease liabilities	21	9,604	-	-	-
Deferred tax liabilities	22	11,978	15,502	10,905	6,982
		21,582	15,502	10,905	6,982
Net assets		120,569	196,259	231,394	206,428
Capital and reserves					
Share capital	23	1,000	1,000	1,000	1,000
Reserves	24	119,569	195,259	230,394	205,428
Equity attributable to owners of the Target Company		120,569	196,259	231,394	206,428

STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2021	1,000	33,204	34,204
Profit for the year	-	92,365	92,365
Dividend paid (note 12)	-	(6,000)	(6,000)
As at 31 December 2021 and 1 January 2022	1,000	119,569	120,569
Profit for the year	-	91,690	91,690
Dividend paid (note 12)	-	(16,000)	(16,000)
As at 31 December 2022 and 1 January 2023	1,000	195,259	196,259
Profit for the year	-	44,135	44,135
Dividend paid (note 12)	-	(9,000)	(9,000)
As at 31 December 2023 and 1 January 2024	1,000	230,394	231,394
Loss for the period	-	(13,966)	(13,966)
Dividend paid (note 12)	-	(11,000)	(11,000)
As at 30 June 2024	1,000	205,428	206,428
Balance as at 1 January 2023 (audited)	1,000	195,259	196,259
Profit for the period	-	42,039	42,039
Dividend paid (note 12)	-	(3,000)	(3,000)
As at 30 June 2023 (unaudited)	1,000	234,298	235,298

STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flow from operating activities					
Profit (loss) before taxation	123,164	123,188	68,355	56,052	(7,295)
Adjustments for:					
Depreciation of property, plant and equipment	48,165	53,182	36,463	18,112	18,292
Interest expense on lease liabilities	2,216	1,142	146	146	-
Interest expense on bank loans	91	-	-	-	-
(Reversal of) impairment loss on trade and other receivables	1,058	915	(1,037)	-	(45)
Loss on disposal of property, plant and equipment	115	-	-	-	-
Interest income	(635)	(2,160)	(830)	(778)	(59)
Operating profit before working capital changes	174,174	176,267	103,097	73,532	10,893
Changes in working capital:					
(Increase) decrease in trade and other receivables	18,133	71,726	2,342	2,532	(30,560)
Increase (decrease) in trade and other payables	(38,670)	(73,673)	24,307	(8,114)	39,379
Cash generated from operations	153,637	174,320	129,746	67,950	19,712
Income taxes paid	(18,391)	(31,813)	(31,942)	(17,858)	(13,589)
Net cash generated from operating activities	135,246	142,507	97,804	50,092	6,123
Cash flow from investing activities					
Interest received	635	2,160	830	778	59
Proceeds from disposal of property, plant and equipment	3	-	-	-	-
Increase in amounts due from a director and related companies	-	(115,313)	(94,343)	(51,180)	(2,070)
Purchases of property, plant and equipment	(37,724)	(9,801)	(1,488)	(991)	-
Net cash used in investing activities	(37,086)	(122,954)	(95,001)	(51,393)	(2,011)
Cash flow from financing activities					
Dividends paid	(6,000)	(16,000)	(9,000)	(3,000)	(11,000)
Interest paid	(91)	-	-	-	-
Repayment of bank loans	(1,800)	(100)	-	-	-
Repayment of lease liabilities	(18,000)	(18,000)	(9,750)	(9,000)	-
New bank loans raised	100	-	-	-	-
Decrease in amounts due to a director and related companies	(328)	(48,967)	-	-	-
Net cash used in financing activities	(26,119)	(83,067)	(18,750)	(12,000)	(11,000)
Net increase (decrease) in cash and cash equivalents	72,041	(63,514)	(15,947)	(13,301)	(6,888)
Cash and cash equivalent at beginning of year/period	51,208	123,249	59,735	59,735	43,788
Cash and cash equivalent at end of year/period	123,249	59,735	43,788	46,434	36,900

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in the People's Republic of China (the "PRC") with limited liability on 6 May 2003. Both the address of its registered office and principal place of business is Room 201, 2nd Floor, Block 29, Wisdomland Business Park, Guankou 2nd Road, Nanshan District, Shenzhen, Guangdong. Mr. Zhang Hongjie and Chen Huipeng were collectively the shareholders and ultimate controlling parties of the Target Company.

During the Relevant Periods, the Target Company was engaged in leasing and subleasing of Jiajinlong Car City.

As at the date of this report, no audited financial statements have been prepared for the Target Company.

The English name of all the companies established in the PRC presented in this Historical Financial Information represent the best efforts made by the director of the Target Company for the translation of the Chinese names of these companies as they do not have official English name.

2. BASIS OF PREPRATION OF HISTORICAL FINANCIAL INFOMRATION

The Historical Financial Information has been prepared for inclusion in the Circular of the Company in connection with the very substantial acquisition in relating to the Share Subscription.

The director of the Target Company has, at the time of approving the Historical Financial Information, a reasonable expectation that the Target Company has adequate resources to continue in operational existence for the foreseeable future and thus, the Target Company continues to adopt the going concern basis of accounting in preparing the Historical Financial Information.

The Historical Financial Information has been prepared based on the accounting policies set out below which conforms with HKFRSs issued by the HKICPA.

The Stub-Period Comparative Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS(s) AND CHANGES IN OTHER ACCOUNTING POLICIES

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Target Company has consistently adopted accounting policies which conform with the Hong Kong Accounting Standards ("HKASs"), the HKFRSs, amendments to HKFRSs and the related interpretations issued by the HKICPA, the HKFRSs effective for annual periods beginning on 1 January 2024 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

The Target Company has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The director of the Target Company expects that the application of all new and amendments to HKFRSs that have been issued but are not yet effective will have no material impact on the Historical Financial Information in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared under the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of 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 the borrowing costs.

Gains or losses arising from the retirement or disposal of an item of 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 property, plant and equipment, other than construction in progress, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Properties	Over the shorter of the unexpired term of lease and their estimated useful lives of 20 years.
Leasehold improvements	Over the shorter of the unexpired term of lease and their estimated useful lives of 3 to 10 years.
Vehicles and other equipment	4 – 5 years

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Target Company under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment loss. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account for their estimated residual value, using the straight-line period.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefit are expected benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Target Company as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise leases which are short-term leases. The Target Company has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term no more than 12 months, if any. The lease payments associated with those leases are expensed on straight-line basis over the lease term. The right-of-use assets are also subject to impairment. Right-of-use assets are depreciated on a straight-line basis over the lease terms including the extension option period.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Target Company measures the right-to-use at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are generally depreciated over the shorter of the assets' useful life and the lease term (including the extension option period as appropriate) on a straight-line basis. If the Target Company is reasonably certain to exercise a purchase option (if any), the right-of-use asset is depreciated over the underlying asset's useful life.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Target Company uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Target Company measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Lease modification

When the Target Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.

- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Financial instruments

Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Target Company's business model for managing the asset and the cash flow characteristics of the asset. There is only one measurement category for the Target Company's debt instruments.

Amortised cost:

Financial assets including trade and other receivables, amounts due from a director and related companies and cash and cash equivalents that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The Target Company recognises loss allowances for ECLs on trade receivables and other financial assets measured at amortised cost (including other receivables, amounts due from a director and related companies and cash and cash equivalents). The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Company has elected to measure loss allowances for trade receivables and bills receivable using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Company has established a provision matrix that is based on the Target Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of another debt financial asset has increased significantly since initial recognition and when estimating ECLs, the Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Company's historical experience and informed credit assessment and including forward-looking information.

The Target Company takes into account the following information when assessing whether credit risk has increased significantly since initial recognition and assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due irrespective of the outcome of the above assessment.

- 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 Target Company.

Despite the aforegoing, the Target Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Company considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Depending on the nature of the financial assets, 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 assets 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 assets' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Target Company recognises an impairment gain or loss for all financial assets measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

The Target Company considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Company in full, or (2) the financial asset is more than 90 days past due.

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset 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 Target Company 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.

Financial liabilities

Financial liabilities at amortised cost including trade and other payables and amounts due to a director and related companies, bank loans and lease liabilities. They are initial measured at fair value, net of directly attributable transaction cost incurred. Subsequently, they are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Derecognition

The Target Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Impairment of non-financial 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:

- property, plant and equipment, including investment properties
- right-of-use assets; and

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 an appropriate 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.

Employee benefits

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 defined contribution retirement schemes are recognised as an expense in profit or loss as follows:

Employees of the Target Company in the People's Republic of China (the "PRC")

Pursuant to the relevant labour rules and regulations in the PRC, employees of the Target Company in the PRC participated in the central pension scheme, which is a defined contribution plan administered by the PRC government, whereby the Target Company is required to make contributions to the central pension scheme based on certain percentages of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. Contributions made to the central pension scheme vest immediately.

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.

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 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.

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 Target Company 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 Target Company 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.

Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Company 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.

Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services, 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.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Target Company's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Target Company performs; or
- does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Further information about the Target Company's accounting policies relating to revenue from contracts with customers is provided in note 6 to the Historical Financial Information.

Translation of foreign currencies

The presentation currency of the Target Company is RMB which is also the functional currency of the Target Company.

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.

Related parties

(a) A person, or a close member of that person's family, is related to the Target Company if that person:

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

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

(iii) is a member of the key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same entity (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 Target Company or an entity related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the Target Company'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 and included:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES ESTIMATION UNCERTAINTY

The Target Company's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Target Company bases the assumptions and estimates on experience and on various other assumptions that the Target Company believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of material accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The material accounting policies are set forth in note 4. The Target Company believes the following material accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Impairment

(i) Non-financial assets

The Target Company reviews the carrying amounts of these assets at the end of each reporting period to determine whether there is indication of impairment. When indication of impairment is identified, management conduct impairment assessment on these non-financial assets by preparing discounted future cash flows to determine whether any previously impairment loss recognised should be reversed or additional impairment loss should be recognised. Such impairment assessment requires significant judgements in estimating the recoverable amount after taking into consideration of the assumptions used in preparation of future cash flows arising from these assets of Car City business. These assumptions included growth rates of rental income and discount rate applied to bring the future cash flows to their present value. Any change in the assumptions adopted in the cash flow forecasts may result in recognition or reversal of impairment loss or increase or decrease impairment loss for the year and affect the Target Company's net asset value.

(ii) Receivables

The assessment of impairment losses on financial assets measured at amortised cost is performed based on expected credit losses model as detailed in the accounting policies and note 4. The Target Company uses judgements and estimates, and makes assumptions and selects inputs as considered appropriate in performing the impairment assessment. Any change in the estimates, assumptions and inputs adopted in the assessment may increase or decrease the impairment loss for the year and affect the Target Company's net asset value.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Target Company reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Target Company's experience with similar assets and taking into account upgrading and improvement work performed for anticipated technological changes, and legal or similar limits on the use of assets. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Target Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for unused tax losses and other deductible temporary 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 they can be utilised, 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 assets to be recovered.

(d) Estimation of the incremental borrowing rate for leasing

The Target Company cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Target Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Target Company "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Target Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

(2) Determination of lease term of contracts with renewal options

As explained in note 4, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Target Company, the Target Company evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Target Company to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Target Company's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Target Company's control (e.g. a change in business strategy). Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in subsequent financial periods.

6. REVENUE AND SEGMENT INFORMATION

Operating segment information

The Target Company is mainly engaged in the leasing and subleasing of properties in the PRC. The Target Company's operating segment is determined based on information reported to the chief operating decision-maker ("CODM") of the Target Company, being the director of the Target Company throughout the Relevant Periods, for the purpose of resource allocation and performance assessment.

No operating segment information is presented as the Target Company's revenue, reported results and total assets were derived from one single operating segment, i.e., leasing and subleasing of properties in the PRC.

Geographical segment information

The Target Company's revenue during the year was derived from external customers based in PRC, and the Target Company's non-current assets, were all located in the PRC.

Information about major customers

During the Relevant Periods, the Target Company did not have any customer accounting for 10% or more of total revenues.

Revenue

Disaggregation of revenue from contracts with customers

An analysis of the Target Company's revenue by category during the Relevant Periods is as following:

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15					
- Property management services	36,624	37,901	32,148	15,374	12,884
Revenue from other sources					
- Rental income	177,557	179,790	141,923	77,322	56,718
	214,181	217,691	174,071	92,696	69,602
Timing of revenue recognition					
- Recognised over time	36,624	37,901	32,148	15,374	12,884

The Target Company's revenue from external customers is principally sourced from the PRC.

Contract balances

Information above the Target Company's trade receivable and contract liabilities are set out in notes 15 and 18, respectively.

Performance obligations for contracts with customers and revenue recognition policies

The Target Company is mainly engaged in the leasing and subleasing of properties in the PRC.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services and further details of the Target Company's revenue and income recognition policies are as follows:

Revenue from provision of property management service

Property management services is recognised in the accounting period over time on straight-line basis during the term of agreement in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Target Company. The Target Company bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Target Company has a right to invoice and that corresponds directly with the value of performance completed. The invoices are issued and settled on monthly basis. The Target Company received property management services income, where the Target Company acts a principal and is primarily responsible for providing the property management services to the tenants of the Car City. Revenue relating to property management services are recognised as a performance obligation satisfied over time. The Target Company entitles to revenue at the value of property management services received or receivable and recognises all related property management costs as its operating expenses.

Revenue from leasing and subleasing of properties

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Rental income which is derived from ordinary course of business are presented as revenue.

Further information about the Target Company's accounting policies relating to revenue from contracts with customers is provided in note 4 to the Historical Financial Information.

Translation price allocated to remaining performance obligation

During the Relevant Periods, all performance obligations not yet satisfied by the Target Company were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15 "Revenue from Contracts with Customers", the transaction price allocated to these unsatisfied performance obligations was not disclosed.

7. OTHER GAINS AND LOSSES, NET

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income	635	2,160	830	778	59
Loss on disposal of property, plant and equipment	(115)	-	-	-	-
Sundries	176	(33)	(183)	(91)	1,855
	696	2,127	647	687	1,914

8. FINANCE COSTS

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Bank charges	1	2	2	1	1
Interest on bank loans	91	-	-	-	-
Interest on lease liabilities	2,216	1,142	146	146	-
	2,308	1,144	148	147	1

9. PROFIT (LOSS) BEFORE INCOME TAX

Profit (loss) before income tax for the Relevant Periods has been arrived at after charging/(crediting):

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation of property, plant and equipment	48,165	53,182	36,463	18,112	18,292
Gross rental income from investment properties	177,557	179,790	141,923	77,322	56,718
Less: Outgoing in respect of investment properties that generated rental income during the year	(13,669)	(14,304)	(44,824)	(4,880)	(49,453)
	163,888	165,486	97,099	72,442	7,265
(Reversal of) impairment loss on					
- Trade receivables	608	909	(1,249)	-	(45)
- Other receivables	450	6	212	-	-
	1,058	915	(1,037)	-	(45)
Staff costs (including director's remuneration)					
Salaries and other benefits	3,747	4,778	5,447	2,841	3,059
Retirement benefits scheme contribution	97	101	98	48	56
	3,844	4,879	5,545	2,889	3,115
Property management fee (note below)	-	-	31,363	-	43,593

Note: Pursuant to the property management agreement (the "Property Management Agreement") between the Target Company and Shenzhen Errui Investment Co,, Limited ("Shenzhen Errui"), a subsidiary of Gilston Group Limited, Shenzhen Errui agreed to provide the property management and operation services to the Jiajinlong Car City. The Property Management Agreement is for an initial period of one year from September 2023 to August 2024. The property management fee under the agreement is variable based on a percentage of the rental income from the Car city tenants. The total management fee expense recognised in profit or loss for the year ended 31 December 2023 and six months ended 30 June 2024 were of approximately RMB31,363,000 and RMB43,593,000, respectively. Pursuant to the extension agreement dated 30 August 2024 entered into between the parties to the Property Management Agreement, the terms of the Property Management Agreement were extended for one year. The director of the Target Company considers that the Property Management Agreement is in the normal course of operations and has been entered on an arm's length basis. The property management fee has been determined based on market rates for similar services. The Property Management Agreement does not contain any onerous clauses or long-term restrictions.

10. INCOME TAX EXPENSE

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current EIT	19,313	27,974	28,817	15,424	9,689
Under provision in prior years	-	-	-	-	905
Deferred tax (note 22)	11,486	3,524	(4,597)	(1,411)	(3,923)
Income tax expense	30,799	31,498	24,220	14,013	6,671

The Target Company was established and operates in the PRC which is subject to PRC enterprise income tax ("EIT") at the rate of 25% during the Relevant Periods.

The income tax expense during the Relevant Periods can be reconciled to the profit (loss) before income tax per the statement of profit or loss and other comprehensive income as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit (loss) before income tax	123,164	123,188	68,355	56,052	(7,295)
Tax at the applicable tax rate of 25%	30,791	30,797	17,089	14,013	(1,824)
Tax effect of expenses not deductible for tax purpose	8	701	7,131	-	8,054
Tax effect of income not taxable for tax purpose	-	-	-	-	(464)
Under provision in respect of prior years	-	-	-	-	905
Income tax expense	30,799	31,498	24,220	14,013	6,671

11. DIRECTOR'S EMOLUMENTS

(a) Director's emoluments

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
For the year ended 31 December 2021					
Executive director					
Zhang Hongjie	-	319	-	15	334
For the year ended 31 December 2022					
Executive director					
Zhang Hongjie	-	372	-	10	382
For the year ended 31 December 2023					
Executive director					
Zhang Hongjie	-	398	-	-	398
For the six months ended 30 June 2024					
Executive director					
Zhang Hongjie	-	198	-	-	198
For the six months ended 30 June 2023 (unaudited)					
Executive director					
Zhang Hongjie	-	198	-	-	198

During the Relevant Periods, no remuneration was paid by the Target Company to any directors or supervisors of the Target Company as an inducement to join or upon joining the Target Company or as compensation for loss of office. None of the directors or supervisors of the Target Company has waived any remuneration during the Relevant Periods.

(b) Employees' emoluments

The five highest paid employees of the Target Company included 1, 1, 1, 1 and 1 director during the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 (unaudited) and 2024, respectively and details of whose remuneration are set out above.

Details of the remuneration for the remaining highest paid employees during the Relevant Periods, who were neither a director nor supervisor of the Target Company are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	602	833	907	452	499
Retirement benefits scheme contribution	28	31	32	16	16
	630	864	939	468	515

During the Relevant Periods, no emoluments were paid by the Target Company to the directors or supervisors or the five highest paid individuals of the Target Company as an inducement to join or upon joining the Target Company or as compensation for loss of office.

The remunerations of each of the highest paid employees who are neither directors nor chief executive officer are all within RMB1,000,000.

12. DIVIDEND

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends paid for the year/period:	6,000	16,000	9,000	3,000	11,000

The amounts represent the dividends for ordinary shareholders of the Target Company recognised as distribution during the year/period.

The rate of dividend and the number of shares ranking for the dividend are not presented as such information is not meaningful having regards for the purpose of the Historical Financial Information.

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as, in the opinion of the director of the Target Company its inclusion is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

	Investment properties				
	Right-of-use assets – land-use-right RMB'000	Leasehold improvement RMB'000	Properties RMB'000	Vehicles and other equipment RMB'000	Total RMB'000
Cost					
At 1 January 2021	38,436	343,821	9,928	5,024	397,209
Additions	-	33,771	-	3,953	37,724
Disposals	-	-	-	(158)	(158)
At 31 December 2021	38,436	377,592	9,928	8,819	434,775
Additions	-	9,586	-	215	9,801
At 31 December 2022	38,436	387,178	9,928	9,034	444,576
Additions	-	1,488	-	-	1,488
At 31 December 2023 and 30 June 2024	38,436	388,666	9,928	9,034	446,064
Accumulated depreciation and impairment losses					
At 1 January 2021	23,396	211,845	5,235	3,388	243,864
Provided for the year	3,342	43,394	472	957	48,165
Disposals	-	-	-	(40)	(40)
At 31 December 2021	26,738	255,239	5,707	4,305	291,989
Provided for the year	3,342	48,077	472	1,291	53,182
At 31 December 2022	30,080	303,316	6,179	5,596	345,171
Provided for the year	3,342	31,329	472	1,320	36,463
At 31 December 2023	33,422	334,645	6,651	6,916	381,634
Provided for the period	1,671	15,795	236	590	18,292
At 30 June 2024	35,093	350,440	6,887	7,506	399,926
Carrying amounts					
At 31 December 2021	11,698	122,353	4,221	4,514	142,786
At 31 December 2022	8,356	83,862	3,749	3,438	99,405
At 31 December 2023	5,014	54,021	3,277	2,118	64,430
At 30 June 2024	3,343	38,226	3,041	1,528	46,138

The investment properties represent the Jiajinlong Car City, a large auto mall with showrooms, car sales and offices, car maintenance and after sales services that are leased to external customers. The leases contain initial non-cancellable period of 1 to 4 years.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the fair values of the investment properties amounted to RMB354,000,000, RMB194,000,000, RMB77,000,000 and RMB50,000,000, respectively and is categorised within level 3 of the fair value hierarchy. The fair values were determined by an independent valuer not connected to the Target Company using the income approach.

In estimating the fair value of the property, the highest and best use of the property is their current use. There has been no change to the valuation technique during the Relevant Periods.

Operating lease commitment for leasing of the Car City

Undiscounted lease payment receivable in leases are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	179,880	125,891	158,342	146,714
In the second year	125,891	55,420	71,967	-
In the third year	55,420	25,188	-	-
In the fourth year	25,188	-	-	-
	386,379	206,499	230,309	146,714

15. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	1,527	7,458	3,581	4,960
Less: Loss allowance	(608)	(1,517)	(268)	(223)
	919	5,941	3,313	4,737
Prepayments	20	39	436	631
Deposits paid	170	267	324	332
Other receivables	460	670	670	670
	650	976	1,430	1,633
Less: Loss allowance	(450)	(456)	(668)	(668)
	200	520	762	945
	1,119	6,461	4,075	5,702

An ageing analysis of the Target Company's trade receivables at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	919	5,396	2,456	4,308
Over 1 month but within 3 months	-	512	857	-
Over 3 months	-	33	-	429
	919	5,941	3,313	4,737

The carrying amounts of trade and other receivables approximately to their fair values and all were dominated in RMB at the end of each reporting period during the Relevant Periods.

Information about the loss allowance for trade and other receivables are set out in note 26b(ii).

16. AMOUNTS DUE FROM A DIRECTOR AND RELATED COMPANIES

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

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from a director and related companies	-	115,313	209,656	211,726

Information regarding the maximum amounts of the amounts due from a director and related companies during the Relevant Periods is as following:

	During the year ended 31 December			During the six months ended 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Maximum outstanding amount	-	115,313	209,656	211,726

The amounts due from a director, Mr. Zhang Hongjie ("Mr. Zhang Hongjie"), and related companies that are owned by the director and/or companies related to the director are unsecured, interest-free and repayable on demand.

The carrying amounts of amounts due from a director and related companies approximately to their fair values and all are dominated in RMB at the end of each reporting period during the Relevant Periods.

17. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	123,249	59,735	43,788	36,900

The Target Company's cash and bank balances was denominated in RMB.

During the Relevant Periods, bank balances carry interest at market rates which range from 0.001% to 0.52% as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. There is no restricted bank balance as at 31 December 2021, 2022 and 2023 and 30 June 2024.

18. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	3,505	4,463	4,241	1,513
Other payables and accruals	2,054	3,234	3,593	2,891
Deposit received from the tenants	39,044	40,377	33,606	32,877
Property management fee payable (see note 9)	-	-	31,363	44,957
Contract liabilities (note below)	1,118	1,957	454	1,420
	45,721	50,031	73,257	83,658

Note: The amount represents receipt in advance from the tenants.

An ageing analysis of the Target Company's trade payables at the end of each reporting period during the Relevant Periods, based on the transaction date were as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within one month	2,261	15	-	-
Over 1 month but within 3 months	-	-	-	-
Over 3 months	1,244	4,448	4,241	1,513
	3,505	4,463	4,241	1,513

The trade and other payables are non-interest-bearing and are normally settled within one to six months.

The carrying amounts of trade and other payables approximately to their fair values and all were denominated in RMB at the end of each reporting period during the Relevant Periods.

19. AMOUNTS DUE TO A DIRECTOR AND RELATED COMPANIES

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to a director and related companies	48,967	-	-	-

The amounts due to a director (i.e. Mr. Zhang Hongjie) and related companies were unsecured, interest-free and were fully settled during the year ended 31 December 2021.

20. BANK LOANS

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loan, secured	100	-	-	-

The bank loan bore interest at 4.95% per annum and was fully settled during the year ended 31 December 2021. The loan is secured by personal guarantee from the director of the Target Company (i.e. Mr. Zhang Hongjie).

The carrying amount of the bank loan approximately to its fair values and was denominated in RMB at 31 December 2021.

21. LEASE LIABILITIES

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Total Minimum lease payments				
Not later than one year	18,000	9,750	-	-
Later than one year and not later than two years	9,750	-	-	-
	27,750	9,750	-	-
Future finance charges	(1,288)	(146)	-	-
Present value of lease obligations	26,462	9,604	-	-
Present value of minimum lease payment:				
Not later than one year	16,858	9,604	-	-
Later than one year and not later than two years	9,604	-	-	-
	26,462	9,604	-	-

The Target Company leases a land in PRC from government for the operations of the auto mall. The land leases' periodic rents are fixed over the lease term.

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on lease liabilities	2,216	1,142	146	146	-
Expense relating to short-term leases	927	955	1,213	1,509	612
Total cash outflow for leases	18,927	18,955	10,963	10,509	612

22. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the Historical Financial Information and the movements during the Relevant period are as follows:

	Accelerated tax depreciation RMB'000	Right-of-use assets/lease liabilities RMB'000	ECL provision RMB'000	Total RMB'000
Deferred tax arising from:				
At 1 January 2021	(7,293)	6,801	-	(492)
(Charged) credited to statement of profit or loss	(8,640)	(3,111)	265	(11,486)
At 31 December 2021 and 1 January 2022	(15,933)	3,690	265	(11,978)
(Charged) credited to statement of profit or loss	(374)	(3,378)	228	(3,524)
At 31 December 2022 and 1 January 2023	(16,307)	312	493	(15,502)
(Charged) credited to statement of profit or loss	6,421	(1,565)	(259)	4,597
At 31 December 2023 and 1 January 2024	(9,886)	(1,253)	234	(10,905)
(Charged) credited to statement of profit or loss	3,517	417	(11)	3,923
At 30 June 2024	(6,369)	(836)	223	(6,982)

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 25% in PRC.

23. SHARE CAPITAL

At the end of each of reporting periods, the registered share capital of the Target Company's registered capital is as following:

	Total
	RMB'000
Balance as at 1 January 2021, December 2021, 1 January 2022, 31 December 2022, 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	1,000

There were no movements of the share capital of the Target Company during the Relevant Periods.

24. RESERVES

The amounts of the Target Company's reserves and the movements therein for each of the reporting periods are presented in the statements of changes in equity.

25. CAPITAL RISK MANAGEMENT

Financial instruments by category

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised costs				
Trade and other receivables, excluding non-financial assets	929	6,155	3,315	4,719
Amounts due from a director and related companies	-	115,313	209,656	211,726
Cash and cash equivalents	123,249	59,735	43,788	12,091
Total financial assets	124,178	181,203	256,759	228,536
Financial liabilities at amortised costs				
Trade and other payables, excluding non-financial liabilities	45,721	50,031	73,257	83,658
Bank loans	100	-	-	-
Amounts due to a director and related companies	48,967	-	-	-
Lease liabilities	26,462	9,604	-	-
Total financial liabilities	121,250	59,635	73,257	83,658

26. FINANCIAL RISK MANAGEMENT

The Target Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Target Company's overall risk management program focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the Target Company's financial performance.

The Target Company's financial instruments are summarised in Note 25 above. Details of the financial instruments are disclosed in respective Notes. The policies on how to mitigate these risks are set out below. The management of the Target Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Target Company mainly operates in the PRC with functional currency as RMB.

The Target Company has no significant exposure to currency risk as substantially all of the Target Company's transactions are denominated in RMB.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has assessed there is minimal exposure of the interest rate risk on the variable interest earned in relation to the bank balance and lease liabilities. The Target Company is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities and bank deposit. It is the Target Company's policy to raise borrowings at fixed-rate or variable-rate according to business needs and as to minimise the fair value and cash flow interest rate risk.

No sensitivity analysis on variable interest rate bearing bank balances and lease liabilities is presented as the impact is expected to be insignificant.

(b) Credit risk

The Target Company is exposed to credit risk in relation to its cash and cash equivalents, trade and other receivables. The carrying amounts of cash and cash equivalents, trade and other receivables represent the Target Company's maximum exposure to credit risk in relation to financial assets.

Credit risk on trade debtors is managed by the management of the individual business units and monitored by the Target Company's management on a group basis. Most customers are sizable and renowned. Management assesses the credit quality of smaller customers by considering their financial position, past experience therewith and other relevant factors. The utilisation of credit limits is regularly monitored.

(i) Credit risk of cash and cash equivalents

To manage this risk arising from bank balances, The Target Company primarily transacts with reputable banks which are all high-credit-quality financial institutions. There has no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Credit risk of trade and other receivables

The Target Company has trade and other receivables for provision of services or sales of goods subject to the expected credit loss model on adoption of HKFRS 9.

The Target Company applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

Management assessed the impairment of trade and other receivables based on expected credit losses methodology. The impairment of individually significant trade and other receivables were assessed on an individual basis based on management's estimates of the discounted future cash flows. Individual insignificant trade and other receivables balances were grouped based on their credit risk characteristics for overall evaluation. The collective impairment provision was determined by management based on historical loss experience, taking into considerations of forward-looking macroeconomic data, industry risk and other circumstances.

To measure the expected credit losses, trade and other receivables have been grouped based on their credit risk characteristics for overall evaluation.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before the end of each reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Target Company has identified the CPI and GDP to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Target Company had trade receivables amounting to approximately RMB1,527,000, RMB7,458,000, RMB3,581,000 and RMB4,960,000, respectively and provisions for impairment of approximately RMB608,000, RMB1,517,000, RMB268,000 and RMB223,000 were recognised on the trade receivables, respectively.

On that basis, the loss allowance as at 31 December 2021, 2022 and 2023 and 30 June 2024 was determined as follows for trade receivables:

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net amount RMB'000
Balance as at 31 December 2021			
Within 1 year	1,527	608	919
Total	1,527	608	919
Balance as at 31 December 2022			
Within 1 year	7,458	1,517	5,941
Total	7,458	1,517	5,941
Balance as at 31 December 2023			
Within 1 year	3,581	268	3,313
Total	3,581	268	3,313
Balance as at 30 June 2024			
Within 1 year	4,960	223	4,737
Total	4,960	223	4,737

The loss allowances for trade receivables at the end of each reporting period reconcile to the opening loss allowances as follows:

	As at 31 December			As at 30 June
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Balance as at 1 January	-	608	1,517	268
Charge (credit) to profit or loss during the year/period	608	909	(1,249)	(45)
Balance as at 31 December/30 June	608	1,517	268	223

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent and the availability of funding through an adequate amount of committed credit facilities. The Target Company aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Target Company's liquidity reserve on the basis of expected cash flow.

The table below analyses the Target Company's financial liabilities into relevant maturity groupings based on the remaining period from the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	1 to 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2021				
Trade and other payables	45,721	-	45,721	45,721
Bank loan	100	-	100	100
Amounts due to a director and related companies	48,967	-	48,967	48,967
Lease liabilities	18,000	9,750	27,750	26,462
	112,788	9,750	122,538	121,250
As at 31 December 2022				
Trade and other payables	50,031	-	50,031	50,031
Lease liabilities	9,750	-	9,750	9,604
	59,781	-	59,781	59,635
As at 31 December 2023				
Trade and other payables	73,257	-	73,257	73,257
As at 30 June 2024				
Trade and other payables	83,658	-	83,658	83,658

Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Target Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Company's statements of cash flows as cash flows from financing activities.

	Amounts due to a director and related companies RMB'000	Bank loans RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2021	49,295	1,800	42,246	93,341
Financing cash flows, net	(328)	(1,700)	(18,000)	(20,028)
Other changes:				
- Interest expenses	-	-	2,216	2,216
As at 31 December 2021	48,967	100	26,462	75,529
Financing cash flows, net	(48,967)	(100)	(18,000)	(67,067)
Other changes:				
- Interest expenses	-	-	1,142	1,142
As at 31 December 2022	-	-	9,604	9,604
Financing cash flows, net	-	-	(9,750)	(9,750)
Other changes:				
- Interest expenses	-	-	146	146
As at 31 December 2023	-	-	-	-
Financing cash flows, net	-	-	-	-
As at 30 June 2024	-	-	-	-
As at 1 January 2023	-	-	9,604	9,604
Financing cash flows, net	-	-	(9,000)	(9,000)
Other changes:				
- Interest expenses	-	-	146	146
As at 30 June 2023	-	-	750	750

28. RETIREMENT BENEFIT SCHEME

The employees of the Target Company are members of a state-managed retirement benefits scheme operated by the PRC Government. The Target Company is required to contribute a specific percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Target Company with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the Target Company's statements of profit or loss and other comprehensive income of approximately RMB97,000, RMB101,000, RMB98,000, RMB48,000 and RMB56,000 for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 (unaudited) and 2024, respectively, represented contributions paid and/or payable to the scheme by the Target Company for the Relevant Periods.

29. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Other than those disclosed elsewhere in the Historical Financial Information, the Target Company did not have other significant transactions with related parties during the Relevant Periods.

(b) Compensation of key management personnel

Compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	319	372	398	198	198
Performance bonus	-	-	-	-	-
Retirement benefits scheme contribution	15	10	-	-	-
	334	382	398	198	198

30. EVENT AFTER THE REPORTING PERIOD

There are no significant subsequent events subsequent to 30 June 2024.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 30 June 2024.