THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ACTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Gilston Group Limited 進騰集團有限公司**, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

GILSTON GROUP LIMITED
進騰集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

VERY SUBSTANTIAL ACQUISITION
SHARE SUBSCRIPTION AGREEMENT

Capitalised terms used in the lower portion of this cover page and inside cover of this circular shall have the same respective meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 22 of this circular. A notice convening the EGM of the Company to be held at 11:00 a.m. on 18 December 2024 at The Boardroom, Lobby Level, The Langham, Hong Kong, 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use in connection with the EGM is enclosed with this circular. Such form of proxy is also published on the respective websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (https://www.irasia.com/listco/hk/gilstongroup/index.htm). If you are not able or do not intend to attend the EGM in person and wish to exercise your right as a Shareholder, you are advised to complete and sign the form of proxy attached in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event, not less than 48 hours before the time appointed for the holding of the EGM or its adjournment (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish. If you attend and vote at the EGM, the instrument appointing your proxy will be deemed to have been revoked.

25 November 2024

CONTENTS

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

"Announcement"	the announcement of the Company dated 30 September 2024 in respect of the Share Subscription
"Articles of Association"	the articles of association of the Company as amended from time to time
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturdays, Sundays or public holidays in the PRC) on which licensed banks in the PRC are generally open for business throughout their normal business hours
"Car Parking Lot"	the land situated at both sides of Pingnan Railway connected to the Land with an area of approximately 6,044 square metres which is used as the car parking lot of Jiajinlong Car City
"Company"	Gilston Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2011)
"Completion"	completion of the Share Subscription in accordance with the terms and conditions of the Share Subscription Agreement
"Completion Date"	within five Business Day after all the conditions precedent set out in the Share Subscription Agreement having been completely fulfilled or waived or such other date as Shenzhen Errui and the Original Shareholders may agree
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"Consideration"	RMB9,000,000, being the total consideration for the Share Subscription
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened and held at 11:00 a.m. on 18 December 2024 to consider and, if thought fit, approve the Share Subscription Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group, together with the Target Company
"Entrustment Letter"	the letter for entrustment signed by the Lessees on 16 July 2013, pursuant to which, the Target Company and Shenzhen Anle Liandui were entrusted to the planning, development, operation and management of the Jiajinlong Car City
"Extension Agreement"	the extension agreement dated 30 August 2024 and entered into between the parties to the Management Agreement for the extension of the terms of the Management Agreement for 1 year
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any entity(ies) or person(s) which or who is/are not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"Jiajinlong Car City"	Jiajinlong Car City (嘉進隆汽車城), currently operating at the Land and the Properties, with showrooms for car sales, and offers car maintenance and after sales services, etc. and the Car Parking Lot. For details, please refer to the Management Agreement Announcement

"Land"	the land situated in the north of Baoan Avenue, east of Shuangjie River, west of Yueliangwan Avenue and both sides of Nanping Expressway in Nanshan District of Shenzhen City, Guangdong Province with construction site area of approximately 170,000 square metres and occupied a total construction area of approximately 230,000 square metres. The Urban Planning and Land Resources Commission of Shenzhen City (as the competent authority for state-owned land in Shenzhen City) has entrusted the operation and management of this land to the People's Government of Nanshan District
"Land Entrustment Agreement"	the agreement entered into between the Target Company, Shenzhen Anle Liandui, Shenzhen Daxin, Shenzhen Nantoucheng and Shenzhen Tianxia dated 27 September 2013, pursuant to which the Target Company and Shenzhen Anle Liandui are entrusted to manage and operate the Land and the Properties for the period from 1 January 2014 to 30 November 2023
"Land Lease Agreement"	an agreement entered into between Nanshan Reform Office, the Lessees, pursuant to which Nanshan Reform Office agreed to lease the Land to the Lessees with a lease term from 15 July 2013 to 15 July 2023
"Latest Practicable Date"	20 November 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Lessees"	four lessees of the Land, namely Shenzhen Anle 13, Shenzhen Daxin, Shenzhen Nantoucheng and Shenzhen Tianxia
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Management Agreement"	an agreement entered into on 30 August 2023 between the Target Company, the Original Shareholders and Shenzhen Errui, details of which are set out in the Management Agreement Announcement

"Management Agreement Announcement"	the announcement of the Company dated 30 August 2023 in respect of the Management Agreement
"Mr. Chen"	Mr. Chen Huipeng (陳輝鵬), an individual and an Independent Third Party, is one of the Original Shareholders
"Mr. Zhang"	Mr. Zhang Hongjie (張鴻傑), an individual and an Independent Third Party, is one of the Original Shareholders
"Nanshan Reform Office"	Urban Village (Old Village) Reform Office of Nanshan District, Shenzhen City* (深圳市南山區城中村(舊村)改造辦公室), a governmental organisation under the People's Government of Nanshan District, Shenzhen City (深圳市南山區人民政府), which represented the relevant government authority to sign the Land Lease Agreement
"Original Shareholders"	Mr. Chen and Mr. Zhang, the original shareholders of the Target Company
"Pingnan Railway Company"	Shenzhen Pingnan Railway Company Limited, an Independent Third Party and the entity which has the right to use the land at both sides of the Pingnan Railway connected to the Land
"PRC"	the People's Republic of China, but for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Properties"	the properties situated at the Land, at which Jiajinlong Car City is operating. For details please refer to the Management Agreement Announcement
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary shares of HK$0.01 each in the share capital of the Company
"Share Subscription"	the subscription of the registered capital of the Target Company in the amount of RMB9,000,000 at the Consideration of RMB9,000,000 pursuant to the Share Subscription Agreement

"Share Subscription Agreement"	the share subscription agreement dated 30 September 2024 entered into by the Original Shareholders, the Target Company and Shenzhen Errui in relation to the Share Subscription
"Shareholder(s)"	the holder(s) of the Share(s)
"Shenzhen Anle 13"	Shenzhen Anle Thirteen Co., Ltd.* (深圳市安樂十三股份合作公司), a company incorporated in the PRC with limited liability and an Independent Third Party
"Shenzhen Anle Liandui"	Shenzhen Anle Liandui Investment Development Co., Ltd. (深圳市安樂聯隊投資發展有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party. The registered capital of Shenzhen Anle Liandui is owned as to 10% by Mr. Zhang, one of the Original Shareholders. Mr. Zhang is also the supervisor of Shenzhen Anle Liandui
"Shenzhen Daxin"	Shenzhen Daxin Industrial Co., Ltd.* (深圳市大新實業股份有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
"Shenzhen Errui"	Shenzhen Errui Investment Co., Ltd.* (深圳市爾瑞投資有限公司), an indirect wholly-owned subsidiary of the Company as at the date of this circular
"Shenzhen Nantoucheng"	Shenzhen Nantoucheng Industrial Co., Ltd.* (深圳市南頭城實業股份有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
"Shenzhen Tianxia"	Shenzhen Tianxia Industrial Co., Ltd.* (深圳市田廈實業股份有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Entrustment Agreement"	the supplement agreement to the Land Entrustment Agreement entered into between the parties to the Land Entrustment Agreement on 1 January 2024 to supplement certain terms to the Land Entrustment Agreement
"Target Company"	Shenzhen Jiajinlong Industrial Development Co., Ltd.* (深圳市嘉進隆實業發展有限公司), a company incorporated in the PRC with limited liability

"Vacant Land Use Agreement"	the agreement entered into between, among others, the Target Company and Shenzhen Anle 13, pursuant to which, the Target Company leased part of the Land (which part form part of the Jiajinlong Car City) from Shenzhen Anle 13 up to 30 June 2023
"Warrantor(s)"	the Original Shareholders and the Target Company
"%"	per cent.

In case of inconsistency, the English text of this circular, the accompanying notice of the EGM and form of proxy shall prevail over its Chinese text.

* *For identification purposes only*

GILSTON GROUP LIMITED
進騰集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

Executive Directors:
Mr. Yip Siu Lun Dave *(Chairman)*
Mr. Wu Cody Zhuo-xuan
Mr. Mak Yung Pan Andrew
Ms. Cheung Ka Yuen

Non-executive Director:
Ms. Lin Ping

Independent Non-executive Directors:
Mr. Leung Ka Tin
Mr. Cheng Hong Kei
Mr. Ko Kwok Shu

Registered Office:
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Principal Place of Business in Hong Kong:
Suite 10A and 10B, 15/F.
Nine Queen's Road Central
Central, Hong Kong

25 November 2024

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
SHARE SUBSCRIPTION AGREEMENT

INTRODUCTION

The purpose of this circular is to provide Shareholders with information in respect of the resolution to be proposed at the EGM to be held on 18 December 2024.

Reference is made to the announcement of the Company dated 30 August 2024 in relation to the entering into the Extension Agreement for the extension of the Management Agreement (the "**Extension Announcement**"). Pursuant to the Extension Agreement, the term for the management and operation of Jiajinlong Car City and the Properties extended for 1 year, which shall expire on 31 August 2025. As mentioned in the Extension Announcement, the Group has been managing Jiajinlong Car City smoothly under the Management Agreement. The Management Agreement expanded the Group's business into the property management services that provide stable income and cash flow, and improved the Group's financial performance and financial position.

Reference is made to the Announcement. After trading hours on 30 September 2024, Shenzhen Errui, an indirect wholly-owned subsidiary of the Company, the Original Shareholders and the Target Company entered into the Share Subscription Agreement, pursuant to which Shenzhen Errui has conditionally agreed to subscribe for the registered capital of the Target Company in the amount of RMB9,000,000, representing 90% of equity interest in the Target Company upon Completion, at the Consideration of RMB9,000,000.

THE SHARE SUBSCRIPTION AGREEMENT

The principal terms of the Share Subscription Agreement are set out below:

Date

30 September 2024

Parties

(1) Shenzhen Errui Investment Co., Ltd.* (深圳市爾瑞投資有限公司) (as subscriber)

(2) Mr. Zhang Hongjie (張鴻傑) (as the Original Shareholder)

(3) Mr. Chen Huipeng (陳輝鵬) (as the Original Shareholder)

(4) Shenzhen Jiajinlong Industrial Development Co., Ltd.* (深圳市嘉進隆實業發展有限公司) (as the Target Company)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Original Shareholders and the Target Company is an Independent Third Party.

The Share Subscription

Pursuant to the Share Subscription Agreement, Shenzhen Errui has conditionally agreed to subscribe for the registered capital of the Target Company in the amount of RMB9,000,000, representing 90% of equity interest in the Target Company upon the Completion, at the Consideration of RMB9,000,000. As at the Latest Practicable Date, the equity interest of the Target Company is owned as to 50% by Mr. Zhang and 50% by Mr. Chen respectively. Upon Completion, the equity interest of the Target Company will be owned as to 90% by Shenzhen Errui, 5% by Mr. Zhang and 5% by Mr. Chen, respectively. The Company does not have current intention to acquire the remaining 10% registered capital of the Target Company from Mr. Zhang and Mr. Chen.

The following table sets out the shareholding structure of the Target Company (i) as at the Latest Practicable Date; and (ii) immediately upon the Completion:

	As at the Latest Practicable Date		**Immediately upon the Completion**	
	Amount of registered capital held (RMB)	*Approximate %*	*Amount of registered capital held (RMB)*	*Approximate %*
Mr. Chen	500,000	50	500,000	5
Mr. Zhang	500,000	50	500,000	5
Shenzhen Errui	–	–	9,000,000	90
Total	**1,000,000**	**100**	**10,000,000**	**100**

Basis of Consideration

The Consideration of RMB9,000,000 was determined after arm's length negotiations among the parties to the Share Subscription Agreement primarily with reference to the total registered capital of the Target Company and taking into account (i) the expected rental income of approximately RMB80 million based on the existing lease agreements with lessees operating showrooms in the Jiajinlong Car City for the eight months from November 2024 to June 2025; (ii) the historical costs trend in operating the business of the Target Company (where averaged monthly cost to revenue ratio (excluding interest, taxes and depreciation) accounted for approximately 80% since September 2023 (i.e. commencement of the Management Agreement) to June 2024. The major composition of the average monthly cost includes property management fee of approximately HK$43.6 million (representing approximately 62.63% of the total revenue) which was paid to and received by the Company, utilities of approximately HK$5.9 million (representing approximately 8.42% of the total revenue), rental expenses of approximately HK$1.8 million (representing approximately 2.61% of the total revenue) and other related expenses of approximately HK$4.0 million (representing approximately 5.75% of the total revenue)); (iii) the prospects and potentials of the Target Company in the management and operation of car cities; and (iv) the potential risk for the successful renewal of the right to use the Land and the Car Parking Lot. According to the Target Company, there were no historical material default or late payment of the rental income.

As explained in the paragraph headed "Reasons for and benefits of the Share Subscription" below, the right to use the Land shall expire on 29 June 2025 and such right may or may not be renewed. The Target Company (under the management of Shenzhen Errui) is currently assisting the Lessees in applying for the renewal of the right to use the Land and is pending for the results of renewal from the government authorities. The granting of the renewal of the right to use the Land is subject to the town planning, policy and discretion of the relevant government authorities. The Target Company is updating the application and accommodating the requests from government authorities, and as at the date of this circular, the Target Company has not encountered or does not foresee any material obstacle in obtaining approval for the renewal of the right to use the Land, however, there is no assurance that the application will be successful.

As stated in the paragraph headed "Undertakings" below, it is agreed in the Share Subscription Agreement that if the right to use the Land could not be renewed on or before its expiry on 29 June 2025 and the Target Company is required by the relevant government authorities to demolish any properties, buildings, facilities or equipment on the Land and to reinstate the Land to the satisfaction of the relevant government authorities, the Original Shareholders jointly and severally undertake to bear the cost of such demolition. In addition, the Original Shareholders also undertook to indemnify Shenzhen Errui and the Target Company for any losses and damages they may suffer or incur as a result of or in connection with the right to use the Land, the Car Parking Lot and the Properties.

As at 30 June 2024, amounts due from a director and related companies amounted to approximately HK$227 million and a director's quarter amounted to approximately HK$3 million were recorded as assets in the Target Company's financial statement. The Target Company agreed to waive such receivables and to transfer the director's quarter at nil consideration. Please refer to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular for more details. The Directors were informed of the proposed waiver and transfer of the abovementioned assets by the Target Company during the negotiation process of the Share Subscription. The scope of the Share Subscription, which the amounts due from the director and related companies and the director's quarter were excluded from the Target Company, was determined after arm's length negotiation among the Company and the Original Shareholders. While determining the Consideration of the Share Subscription, the Directors mainly considered the expected income and cash inflows of the Target Company until June 2025. As stated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the fair value of the identifiable net assets of the Target Company, after waiving and transferring the amounts due from the director and related companies and the director's quarter, is positive. In view of the above factors, the Directors consider the waiver of amounts due from a director and related companies and transfer of the director's quarter by the Target Company before the Share Subscription are fair and reasonable to the Company.

Having taken into account of the expected income of the Target Company until June 2025 and the existence of potential risk on the right to use the Land, the Car Parking Lot and the Properties and the pending outcome of the renewal of the rights to use as further set out in the paragraph headed "The Land and the Car Parking Lot" of this circular below, the Directors are of the view that the Consideration of RMB9,000,000, being the amount of registered capital to be increased in the Target Company, is fair and reasonable.

The Share Subscription will be funded by internal resources of the Group and the Consideration will be paid in cash by Shenzhen Errui to the Target Company on Completion in one go.

Conditions precedent

Completion shall be conditional upon the fulfilment of the following conditions precedent:

(1) Shenzhen Errui having carried out and completed the due diligence review in respect of the Target Company (whether financial, legal, business, operation and other aspects) and being satisfied with the results of the due diligence review of the Target Company, and has not found any material adverse changes in the Target Company's financial, legal, business, operation and other matters prior to the Completion Date;

(2) Shenzhen Errui and the Target Company having completed their respective internal and external approval procedures for the Share Subscription and obtained the necessary permits, approvals, consents, authorisations and/or exemptions, including any regulatory approvals and approvals (if applicable);

(3) Shenzhen Errui, the Target Company and the Original Shareholders having signed new articles of association for the Target Company's capital increase, and the content of which shall be satisfactory to Shenzhen Errui;

(4) the Target Company having completed the registration filing procedures with the market supervision and management department for the relevant changes in registered capital and equity structure as a result of the capital increase and the revised articles of association of the Target Company;

(5) the Shareholders having approved the Share Subscription Agreement and all transactions contemplated thereunder at the EGM in accordance with the requirements of the Listing Rules;

(6) the Company having complied with all requirements of the Listing Rules in relation to the subscription of the registered capital in the Target Company and all transactions contemplated thereunder;

(7) the representations and warranties made by each Warrantor in the Share Subscription Agreement are true, accurate, complete and not misleading in all respects; and

(8) the Target Company having complied with and has not violated or continued in violation the provisions of the Share Subscription Agreement.

If the conditions precedent are not fulfilled or are deemed unfulfillable as mentioned above on or before 5:00 p.m. on the latest date of fulfilment of the above conditions precedent (i.e. 31 December 2024) or such later date as may be agreed in writing between the parties from time to time, unless Shenzhen Errui provides a written waiver of all or part of the conditions precedent (except that conditions (2), (5) and (6) above cannot be waived), the Share Subscription agreement will be terminated, upon which each party to the Share Subscription Agreement shall not be liable to the other party, except for, among others, antecedent breach of any obligation under the Share Subscription Agreement.

The Directors are of the view that the discretion to waive conditions (1), (4), (7) and (8) would enable the Company to have more flexibility in proceeding with the Share Subscription. This is to cater for the occasions, in particular, where minor deficiencies and reasonably tolerable flaws are found on the Target Company. Such waiver would allow the Board to have the right to consider and exercise judgment whether to proceed with the Share Subscription after taking into account all other factors as a whole. The Board has confirmed that Shenzhen Errui will not waive any of the conditions precedent. With respect to condition (2), as confirmed by the Directors having made reasonable enquiries to Shenzhen Errui and the Target Company, save for the internal approval procedures, for instance, approval from the board of directors and/or shareholders of each of Shenzhen Errui and the Target Company, no other permits, approvals, consents, authorisations and/or exemptions are required as condition precedent to the Share Subscription.

Completion

Subject to the fulfilment or waiver (if applicable) of all the conditions precedent set out above, Completion shall take place on the Completion Date.

Undertakings

It is agreed in the Share Subscription Agreement that if the Land Lease Agreement or the right to use the Land could not be renewed on or before its expiry on 29 June 2025 and the Target Company is required by the relevant government authorities to demolish any properties, buildings, facilities or equipment on the Land and to reinstate the Land to the satisfaction of the relevant government authorities, the Original Shareholders jointly and severally undertake to pay to the Target Company or Shenzhen Errui the full amount of costs, charges, expenses or expenditures (including any tax charges) for the demolition and restoration of the Land in accordance with the requirements of the relevant government authorities, within 30 days after a written demand is issued by the Target Company or Shenzhen Errui to the Original Shareholders. It was agreed in the Supplemental Entrustment Agreement that the right to dispose of the material, which includes steel and other metal, after the demolition of the Properties is vested to the Target Company.

It is also agreed in the Share Subscription Agreement that upon Completion, the Management Agreement and the Extension Agreement will be terminated and the parties thereto agree to sign all documents and take all actions to effect such termination.

The Original Shareholders undertook in the Share Subscription Agreement to indemnify Shenzhen Errui and the Target Company for any losses and damages they may suffer or incur as a result of or in connection with the right to use the Land, the Car Parking Lot, the Properties and the Land Entrustment Agreement. As the right to use the Land shall expire on 29 June 2025 which may or may not be renewed and the Target Company has the right to dispose of the

Properties on the Land, the losses and damages may be suffered or incurred by Shenzhen Errui and the Target Company as a result thereof together with the right to use the Car Parking Lot is not expected to be substantial. Based on the preliminary assessment by the Board, the fund generated by the disposal of the steel and other metal from the Properties will exceed the costs to reinstate the Land. Given that the Original Shareholders have been operating Jiajinlong Car City for more than 10 years which proved to be a successful investment and loaded them with considerable wealth and based on the search conducted by the Company on the background of the Original Shareholders which revealed that one of the Original Shareholders has investment in property companies that provide stable return, the Company believes that they have sufficient financial resources to indemnify the Target Company or Shenzhen Errui for such losses and damages.

Termination

Upon occurrence of any of the following events before the Completion:

(a) any of the Warrantors fails to perform or fails to timely perform or comply with any obligations or undertakings under the Share Subscription Agreement, including, among others, providing assistance to Shenzhen Errui to conduct due diligence review, ensuring the Target Company's business will continue to operate on a normal and prudent basis and in compliance with past practices and ensuring the Target Company will not do or refrain from doing (or allow to be done or not done) any act or matter that is deviated from daily operations before Completion, ensuring the Target Company will not do any matter that is out of its ordinary course of business, including, among others, increase in registered capital, granting loan, incur any debt other than those disclosed in the management account, etc., and performing obligations for Completion, however if such failure can be rectified but not fully rectified within seven Business Days (or such longer period as the Warrantors and Shenzhen Errui may agree in writing) after the defaulting party receives Shenzhen Errui's written notice requesting the rectification;

(b) any statement, warranty or undertakings of any of the Warrantor under the Share Subscription Agreement (or in any document or information submitted to Shenzhen Errui under the Share Subscription Agreement) is materially incorrect when it is made or restated;

(c) any creditors taking possession of any assets of the Target Company, or any assets of the Original Shareholders or the Target Company are seized, enforced or distressed;

(d) any winding up, liquidation, reorganisation, dissolution or bankruptcy of the Target Company, or the appointment of a liquidator or trustee by the court or other creditors or the relevant order or resolution to manage the assets of any of the Original Shareholders or the Target Company is issued or passed;

(e) any assets of any of the Original Shareholders or the Target Company that are seized, confiscated, requisitioned or compulsory expropriated by the Chinese government or relevant authorities;

thereby, in any relevant circumstances, Shenzhen Errui may terminate the Share Subscription Agreement at any time before the Completion Date at its absolute discretion without any liability by giving written notice to the Original Shareholders. For the avoidance of doubt, Shenzhen Errui's failure to exercise its right to terminate the Share Subscription Agreement in accordance with the Share Subscription Agreement shall not prejudice its right to take action against the Warrantors for any prior breaches of the terms of the Share Subscription Agreement by the Warrantors.

Financial Effects of the Share Subscription

Upon Completion, the Target Company will be a subsidiary of the Company and the financial statements of the Target Company will be consolidated into the financial statements of the Group.

Effect on earnings and cashflows

As shown in the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to this circular, assuming the Share Subscription was completed on 30 June 2024, the Group's profit after tax of approximately HK$10.5 million for the first half of 2024 would be changed to a loss after tax of approximately HK$7.7 million. The loss is attributable to (a) the estimated transaction costs of the Share Subscription of approximately HK$3.2 million, which has no continuing effect on the financial statements of the Enlarged Group in subsequent years; and (b) loss after tax recorded by the Target Company of approximately HK$15.0 million for the six months ended 30 June 2024. For details of the Target Group's financial information, please refer to the section headed "INFORMATION OF THE TARGET COMPANY AND THE ORIGINAL SHAREHOLDERS" in the "Letter from the Board" of this circular.

Jiajinlong Car City is expected to generate rental income of approximately RMB80 million for the eight months from November 2024 to June 2025, and the historical monthly cost to revenue ratio (excluding interest, taxes and depreciation) in operating the Jiajinlong Car City accounted for approximately 80% since September 2023 (i.e. commencement of the Management Agreement) to June 2024. The Share Subscription is expected to bring in operating cash inflow to the Group. As shown in the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to this circular, assuming the Share Subscription was completed on 30 June 2024, the Group's cash and cash equivalents would be increased by approximately HK$36.2 million to approximately HK$112.2 million.

Effect on assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular (assuming that the Share Subscription had been completed on 30 June 2024), the Group's total assets and total liabilities would increase by approximately HK$53.2 million and HK$55.4 million respectively. The unaudited pro forma consolidated net assets of the Enlarged Group as at 30 June 2024 would be approximately HK$165.2 million, as compared to the unaudited consolidated net assets of approximately HK$167.5 million as reported in the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024.

Please refer to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular for more details on the financial effect of the Share Subscription.

INFORMATION OF THE TARGET COMPANY AND THE ORIGINAL SHAREHOLDERS

The Target Company is a company established in the PRC with limited liability and is principally engaged in, amongst others, leasing of the Jiajinlong Car City. As at the Latest Practicable Date, each of Mr. Chen and Mr. Zhang directly owns 50% each of the registered share capital of the Target Company. Mr. Chen and Mr. Zhang are both individuals with extensive experience in property management business, property developing business and operating of car city business for more than 10 years.

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Target Company, Mr. Chen and Mr. Zhang are each an Independent Third Party.

The following is certain audited financial information of the Target Company for the years ended 31 December 2022 and 2023 and six months ended 30 June 2024:

	For the year ended 31 December		**For the six months ended 30 June**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Profit/(Loss) before tax	123,188	68,355	(7,295)
Profit/(Loss) for the year (after tax)	91,690	44,135	(13,966)

As at 30 June 2024, the audited total assets and net assets of the Target Company were approximately RMB300,466,000 and RMB206,428,000, respectively.

Loss before tax of the Target Company of approximately RMB7.3 million for the six months ended 30 June 2024 was mainly attributable to (a) the decrease in revenue of approximately RMB23.1 million compared to the first half of 2023; and (b) the accrued six-month property management fee of approximately RMB43.6 million under the Management Agreement.

Revenue decreased in the first half of 2024 as the replacement of lessees of the Jiajinlong Car City was limited by the expiration of the right to use the Land on 29 June 2025 detailed in the section headed "INFORMATION OF JIAJINLONG CAR CITY" in the "Letter from the Board" of this circular. The Target Company (under the management of Shenzhen Errui) is assisting in the application for the renewal of the right to use the Land. As at the Latest Practicable Date, although there is no assurance that the application will be successful, the Target Company has not encountered or did not foresee any material obstacle in obtaining relevant approval. The level of expected income of the Target Company was taken into account for determination of the Consideration. For further details, please refer to the paragraph headed "Basis of Consideration" in the "Letter from the Board" of this circular.

The property management fee was payable to Shenzhen Errui, a subsidiary of the Company, under the Management Agreement. It is agreed in the Share Subscription Agreement that upon Completion, the Management Agreement will be terminated and no property management fee shall be accrued by the Target Company. For illustrative purpose, the Target Company would have recorded a profit before tax of approximately RMB36.3 million if no property management fee was accrued for the six months ended 30 June 2024.

For more details of the financial information of the Target Company and the relevant management discussion and analysis, please refer to Appendix II and Appendix III of this circular.

INFORMATION OF JIAJINLONG CAR CITY

The Land and the Car Parking Lot

The Land on which Jiajinlong Car City is built occupies an area of 170,000 square metres and construction area of 230,000 square metres. The Land is situated in the north of Baoan Avenue, east of Shuangjie River and west of Yueliangwan Avenue and both sides of Nanping Expressway in Nanshan District of Shenzhen City. In additional to the Land, Jiajinlong Car City also includes an area of 6,044 square metres of land situated on both sides of Pingnan Railway which is used as Car Parking Lot.

The Lessees obtained the right to use the Land based on the Land Lease Agreement. Due to the delay of the completion of the construction on the Land, document issued from the relevant government authority in December 2015 confirming that the term of the right to use the Land shall last for 10 years from 30 June 2015 to 29 June 2025. The right to use the Land shall expire on 29 June 2025 and such right may or may not be renewed. The granting of the renewal of the right to use the Land is subject to the town planning, policy and discretion of the relevant government authorities. As at the Latest Practicable Date, the Target Company has not encountered or did not foresee any material obstacle in obtaining approval for the renewal of the right to use the Land, however, there is no assurance that the application will be successful. The Target Company (under the management of Shenzhen Errui) is assisting the Lessees to apply for the renewal of the right to use the Land. The scope of application for renewal also includes the part of the land under the Vacant Land Use Agreement. The land leased pursuant to the Vancant Land Use Agreement is currently a part of the Jiajinlong Car City. If the right to use the Land is renewed, the Vacant Land Use Agreement will not be renewed but the part of the land will be included in the new land entrustment agreement. The renewal of the right to use the Land may be in the form of extension of the Land Lease Agreement or such other form as designated by the government authorities.

The Target Company and Shenzhen Anle Liandui obtained the right to use the Land from the Lessees pursuant to the Entrustment Letter, the Land Entrustment Agreement and the Vacant Land Use Agreement. Although the Land Entrustment Agreement and the Vacant Land Use Agreement expired, the Target Company has continued to manage and operate the Jiajinlong Car City on the Land and generated revenue and has been paying the rent to the Lessees based on the rate agreed in the Land Entrustment Agreement and the Vacant Land Use Agreement. The rent paid by the Target Company to the Lessees pursuant to (a) the Land Entrustment Agreement for the period between 1 December 2023 to 30 June 2024 amounted to approximately RMB1.1 million, and (b) the Vacant Land Use Agreement for the period between 1 July 2023 to 30 June 2024 amounted to approximately RMB1.2 million. On 1 January 2024, the Supplemental Entrustment Agreement was signed, pursuant to which, the parties thereto agreed to extend the expiry date of the Land Entrustment Agreement to 29 June 2025. It was also confirmed in the Supplemental Entrustment Agreement (Shenzhen Anle Liandui is a party) that the Target Company is solely responsible for the management and operation of Jiajinlong Car City and solely entitled to the operating profit thereof. It was further agreed in the Supplemental Entrustment Agreement that the Target Company will continue to be solely entitled to the right to manage and operate Jiajinlong Car City and the operating profit thereto if the right to use the Land is extended. There is no compensation or consideration for Shenzhen Anle Liandui to give up the right to participate in the management and operation of Jiajinlong Car City. In addition, the parties to the Land Entrustment Agreement have agreed to give the right to dispose of the material, which includes steel and other metal, after the demolition of the Properties to the Target Company upon expiry of the term of the entrustment. Regarding the Vacant Land Use Agreement, as the relevant land involved only represents a minor portion of the site of Jiajinlong Car City and on the basis that such part of the land will be included in the new Land Entrustment Agreement, the Vacant Land Use Agreement was not renewed upon its expiry and the Target Company has been paying the rent to the Lessees, based on the terms of the Vacant Land Use Agreement since the expiry of the Vacant Land Use Agreement.

The Target Company obtained the right to use the Car Parking Lot from Pingnan Railway Company pursuant to a lease agreement for the period from 1 January 2023 to 31 December 2023. Following the expiry of such lease, the Target Company has been continuously occupying the Car Parking Lot and operating its business by paying the rent based on the rate agreed in the lease agreement for the Car Parking Lot which amounted to approximately RMB0.3 million for the period between 1 January 2024 to 30 June 2024. The Target Company has been in discussions with Pingnan Railway Company for the renewal of the lease of the Car Parking Lot. According to the Target Company, Pingnan Railway Company is positive in renewal of such lease. The Target Company will confirm the renewal of the lease with Pingnan Railway Company after the renewal of the right to use the Land is approved. As at the Latest Practicable Date, the Target Company has not encountered or does not foresee any material obstacle in the renewal of the lease of the Car Parking Lot. However, there is no assurance that the renewal of the lease will be successful. If the right to use the Land is renewed but the renewal of the lease of the Car Parking Lot fails, there will not be material impact to the management and operation of Jiajinlong Car City given the fact that the Car Parking Lot is used as car parking spaces and represents a minor portion of the site of Jiajinlong Car City and the revenue of which represented approximately 2.3% of that of the Target Company for the six months ended 30 June 2024. In addition to the Car Parking Lot, there are also other car parking spaces in the Jiajinlong Car City.

If the right to use the Land cannot be renewed, the Target Company will identify other land which suits the business of car city and use its best effort to relocate the Jiajinlong Car City for the continuation of the business. Further, the Target Company will not enter into any agreement with Pingnan Railway Company for the right to use the Car Parking Lot.

The Properties

The buildings of Jiajinlong Car City built on the Land comprises buildings occupied as among others, showrooms of cars, sales office, repair and maintenance. As of 30 June 2024, the Target Company has entered into lease agreements with 29 lessees.

The Original Shareholders have agreed to indemnify Shenzhen Errui and the Target Company for any losses or damages they may incur or suffer in connection with the right to use the Land, the Car Parking Lot, the Properties and the Land Entrustment Agreement.

INFORMATION OF THE GROUP

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacture and sale of zippers and other related products. As disclosed in the Management Agreement Announcement, since September 2023, the Group commenced to provide property management services with respect to Jiajinlong Car City. Such property management services mainly comprise the management service on the daily operation and management of Jiajinlong Car City, including, among others, the collection of rent, handling requests from the lessees and handling human resources.

Shenzhen Errui, an indirect wholly-owned subsidiary of the Company, is established in the PRC with limited liability and is principally engaged in, amongst others, property management services, enterprise management advisory services, corporate headquarters management, financial advisory services and corporate image planning.

REASONS FOR AND BENEFITS OF THE SHARE SUBSCRIPTION

To diversify the business and broaden the income stream of the Group, in August 2023, the Group entered into the Management Agreement in relation to the management and operation of Jiajinlong Car City, which is located in Nanshan District of Shenzhen and is one of the most sizeable automobile trading venues in Shenzhen, China. Jiajinlong Car City comprises facilities such as showrooms for car sales, and provides car maintenance and after sales services. Many international and domestic renowned brands, including but not limited to BYD, Tesla, Maserati, Ford, and Honda set up their showrooms, sales office, repair and maintenance centre in Jiajinlong Car City. The operation and management period under the Management Agreement was one year commencing from 1 September 2023 to 31 August 2024 which has been extended for another one year to 31 August 2025. Further details of the Management Agreement were set out in the announcements of the Management Agreement and the Extension Agreement.

With the entering into of the Management Agreement, the Group expanded its business into the property management services that provide stable income and cash flows, and improved the Group's financial performance and financial position. From September to December 2023, the new property management business generated approximately HK$32.9 million in revenue and HK$32.2 million in profit for the Group, respectively.

For the year ended 31 December 2023, revenue generated from the manufacture and sales of zippers and provision of property management services accounted for approximately 87.7% and 12.3% of the total revenue of the Group, respectively. Notwithstanding the increase of approximately 8.4% in revenue generated from the zipper business in 2023 as compared to the corresponding year in 2022, the geopolitical tensions, monetary policies and high interest rates remain influential factors. Given the rising costs, the Group reported a segment loss of approximately HK$6.9 million in 2023 for the zipper business whereas a net profit of approximately HK$32.2 million was recorded for the property management services segment for the four months from September to December 2023. Although the taking up of the shareholding of the Target Company will expand the Group's business operation and strengthen its revenue base, the Company currently has no intention to downsize, cease or dispose of the existing business upon Completion.

In view of the revenue and profit generated pursuant to the Management Agreement, the Directors considered that the subscription of equity interest in the Target Company is in the best interest of the Company and the Shareholders as a whole given the fact that the Management Agreement (as extended by the Extension Agreement) shall expire on 31 August 2025 and there is no assurance that the Target Company will continue to engage Shenzhen Errui to provide the property management services for Jiajinlong Car City after the expiry of the Management Agreement. Upon Completion, the Target Company will become a subsidiary and will be owned as to 90% by the Company and the Group will obtain control and management of Jiajinlong Car City, which enables the Group greater flexibility in the strategic directions and day-to-day management of Jiajinlong Car City, and hence to achieve operational and management efficiency which is beneficial to the Group's long-term development. The Company has no current plan to appoint new Directors to be nominated by the Target Company.

The right to use the Land for Jiajinlong Car City shall expire on 29 June 2025 and such right may or may not be renewed. The Target Company (under the management of Shenzhen Errui) is currently assisting the Lessees in applying for the renewal of the right to use the Land and is pending for the results of renewal from the government authorities. The granting of the renewal of the right to use the Land and the Car Parking Lot is subject to the town planning, policy and discretion of the relevant governmental authorities. The Target Company is updating the application and accommodating the requests from government authorities, and as at the Latest Practicable Date, the Target Company has not encountered or did not foresee any material obstacle in obtaining approval for the renewal of the right to use the Land, however, there is no assurance that the application will be successful. For the years ended 31 December 2021, 2022 and 2023, the Target Company recorded total profit of approximately RMB92.4 million, RMB91.7 million and RMB44.1 million, respectively. For the six months ended 30 June 2024, the Target Group incurred a loss after tax of approximately RMB14.0 million, which was mainly attributable to (a) the decrease in revenue of approximately RMB23.1 million compared to the first half of 2023; and (b) the accrued six-month property management fee of approximately RMB43.6 million under the Management Agreement. Despite the fact that the Target Company recorded a loss for the six months ended 30 June 2024, the Share Subscription is expected to bring in operating cash inflow to the Group. As shown in the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to this circular, assuming the Share Subscription was completed on 30 June 2024, the Group's cash and cash equivalents would be increased by approximately HK$36.2 million to approximately HK$112.2 million.

Although there is uncertainty and risk, the Directors still consider that the Share Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole, given Jiajinlong Car City is expected to generate rental income of approximately RMB80 million and net cash inflows from November 2024 to June 2025.

In addition, as stated in the paragraph headed "Undertakings" above, it is agreed in the Share Subscription Agreement that if the right to use the Land could not be renewed on or before its expiry on 29 June 2025 and the Target Company is required by the relevant government authorities to demolish any properties, buildings, facilities or equipment on the Land and to reinstate the Land to the satisfaction of the relevant government authorities, the Original Shareholders jointly and severally undertake to bear the cost of such demolition.

Taking into account (i) the operation and management of Jiajinlong Car City can generate a stable source of income and net cash inflows to the Group and broaden its revenue base, which in turn expands the Group's existing business and helps to diversify its operational risks; (ii) the Share Subscription enables the Company to gain control on Jiajinlong Car City, which enhance the Group's operational and management efficiency; and (iii) the Consideration is considered to be fair and reasonable as detailed in the paragraph headed "Basis of Consideration" above, the Directors are of the view that despite the fact that the Target Company recorded a loss for the six months ended 30 June 2024, the entering into of the Share Subscription (including the terms of the Share Subscription Agreement) is fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Share Subscription is more than 100%, the Share Subscription constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

VOTING BY POLL

According to the Listing Rules, the resolution to be proposed at the EGM will be voted on by poll. Results of the poll voting will be published on the Company's website at https://www.irasia.com/listco/hk/gilstongroup/index.htm and the website of the Stock Exchange at www.hkexnews.hk after the EGM.

EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

A notice convening the EGM to be held at 11:00 a.m. on 18 December 2024 at The Boardroom, Lobby Level, The Langham, Hong Kong, 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A resolution will be proposed at the EGM to approve, among other things, the Share Subscription Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published at the website of the Stock Exchange at www.hkexnews.hk. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar in Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules and the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll save that the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

The Share Subscription Agreement and the transactions contemplated thereunder is subject to the approval of a resolution passed by the Shareholders. To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as none of the Shareholders is interested in the Share Subscription Agreement and the transactions contemplated thereunder, no Shareholders are required to abstain from voting at the EGM on the Share Subscription Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The Directors consider that the Share Subscription Agreement and the transactions contemplated thereunder is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the resolution to be proposed at the EGM.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,
For and on behalf of the Board
Gilston Group Limited
Yip Siu Lun Dave
Chairman and executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, has been set out in the following documents and is available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (https://www.irasia.com/listco/hk/ gilstongroup/index.htm):

(a) the annual report of the Company for the year ended 31 December 2021 published on 13 May 2022, from pages 57 to 130:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0513/2022051300388.pdf

(b) the annual report of the Company for the year ended 31 December 2022 published on 25 May 2023, from pages 59 to 124:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042500649.pdf

(c) the annual report of the Company for the year ended 31 December 2023 published on 29 April 2024, from pages 62 to 138:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042900733.pdf

(d) the interim report of the Company for the six months ended 30 June 2024 published on 27 September 2024, from pages 26 to 52:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0927/2024092702101.pdf

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 30 September 2024, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

The Enlarged Group had outstanding indebtedness comprising bank borrowing of approximately HK$11.09 million and lease liabilities of approximately HK$63.64 million. The outstanding bank borrowings as at 30 September 2024 was non-secured and guaranteed by certain subsidiaries of the Enlarged Group.

As at 30 September 2024, the Enlarged Group had contracted commitment of property, plant and equipment of approximately HK$4.30 million and no material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, normal trade payables and other payables in the ordinary course of business, at the close of business on 30 September 2024, the Enlarged Group did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, material contingent liabilities or guarantees outstanding.

3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources of the Group including the Group's internal resources in the absence of any unforeseen circumstances, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for the Enlarged Group's requirements for at least the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that there has been no material adverse change to the financial or trading position of the Group since 31 December 2023, being the date of which the latest published audited consolidated accounts of the Company were made up to, and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF GROUP

BUSINESS REVIEW

The Group continued to engage in manufacturing finished zippers in China. The Group's customers for zippers business are principally original equipment manufacturer or manufacturing ("**OEM**") who manufacture apparel products for (i) some apparel brands in China; and (ii) some well-known international apparel brands. The Group maintains a close working relationship with apparel brand owners on the design of zippers to be applied in the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers and other garment accessories from the Group. The Group commenced property management services since September 2023 through entering into the Management Agreement to operate and manage the Jiajinlong Car City (嘉進隆汽車城).

The Group recorded profit attributable to equity shareholders of the Company of approximately HK$10.85 million for the six months ended 30 June 2024, as compared with profit attributable to equity Shareholders of approximately HK$3.39 million for the same period in 2023. The increase in profit was primarily attributable to, among other factors, the introduction of property management business which contributed considerable revenue and profit for the period, in the amount of approximately HK$45.27 million and HK$30.19 million, respectively.

PROSPECTS

Despite stable yearly growth in China's domestic economy and gross domestic product (GDP) in the first half year of 2024, difficulties have persisted due to geopolitical tensions, monetary policies, high interest rates, and a slowdown in global economic growth. The rising costs of raw materials, energy, and labor within China have continued to pose challenges. Additionally, the decline in consumerism has affected business development.

The relocation of the Group's production base from Zhejiang to Hubei province's Jingmen in 2023 has impacted the overall production structure. Geopolitical tensions, monetary policies, and high interest rates remain influential factors. Given the rising costs and decline in consumer demand, the Group have taken a cautious approach towards the development in zipper business. Looking ahead, the Group will pragmatically address complex operational challenges and adapt to these changing environments. The Group's strategies include optimizing existing production capacity, enhancing automation, improving production processes, ensuring product quality, and cost control. The Group's will also strengthen the financial management to mitigate risks and increase organizational efficiency.

The Group's business strategy has always prioritized practicality, seeking stable growth while also exploring new avenues. In the year 2023, the Group introduced property management services characterized by short cycles, stable cash flows, and low asset intensity. The proposed Share Subscription and the transaction contemplated thereunder are aimed towards a reduction in business risk while establishing a secure and robust operational model. The Group's will continue to review the business strategies, formulate long-term plans, and explore additional business opportunities or investments. The Group's goal is to create a healthy and secure development model that delivers stable returns for the Shareholders.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for each of the financial years ended 31 December 2021, 2022 and 2023 and the interim report of the Company for the six months ended 30 June 2024. The financial data in respect of the Group for the purpose of this circular, is derived from the annual reports of the Company for the years ended 31 December 2021, 2022 and 2023 and the interim report of the Company for the six months ended 30 June 2024.

(1) For the year ended 31 December 2021

The Group's revenue for the year ended 31 December 2021, represented the revenue from zipper business, increased to approximately HK$239.72 million as compared with approximately HK$170.09 million for the year ended 31 December 2020. Loss before taxation for the year ended 31 December 2021 was approximately HK$16.94 million (2020: approximately HK$53.89 million), representing a decrease of approximately HK$36.95 million as compared to prior year. The decrease in loss before taxation was mainly due to the combined effect of: (i) the increase in revenue from approximately HK$170.09 million for the year ended 31 December 2020 to approximately HK$239.72 million for the year ended 31 December 2021; and (ii) the increase in gross profit of the zipper business from approximately HK$34.24 million for the year ended 31 December 2020 to approximately HK$71.91 million for the year ended 31 December 2021.

Revenue from sales of finished zippers and sliders increased by approximately HK$67.65 million or 40.4% to approximately HK$235.07 million for the year ended 31 December 2021 (2020: approximately HK$167.42 million). The increase was primarily due to the stabilising of global economy especially in China and the impact of the global outbreak of the COVID-19 has been recovering progressively, resulting in increased number of sales orders from customers of the Group who are primarily OEMs who manufacture apparel products. The Group's revenue was mainly derived from sales in Mainland China. Other countries or regions to which the Group sold its products for the year ended 31 December 2021 include but not limited to Hong Kong, Switzerland, Italy, India, Indonesia, Bangladesh, Germany, Korea, Vietnam, Tunisia and Jordan.

Others

Others represent items such as scrap material and zipper components. Revenue of other items increased by approximately HK$1.98 million to approximately HK$4.65 million for the year ended 31 December 2021 (2020: approximately HK$2.67 million).

Bank Borrowing

As at 31 December 2021 and 31 December 2020, the Group do not have any bank borrowings, and therefore, the gearing ratio was not applicable.

Liquidity and Capital Resources

The Group adopts a prudent treasury policy with a funding policy aims at ensuring sufficient capital to meet the working capital requirements, increase capital efficiency and capital gains. The Group's net cash inflow from operating activities for the year 2021 amounted to approximately HK$35.59 million (2020: HK$18.67 million). As at 31 December 2021, cash and cash equivalents amounted to approximately HK$59.87 million, representing a slight decrease of approximately HK$1.06 million as compared with the position as at 31 December 2020, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2021. As at 31 December 2021, the cash and cash equivalents of approximately HK$55.87 million, HK$0.27 million and HK$3.62 million are denominated in RMB, HK$ and USD, respectively. As at 31 December 2020, the cash and cash equivalents of approximately HK$51.72 million, HK$5.22 million and HK$3.87 million are denominated in RMB, HK$ and USD, respectively. The Group did not have borrowings other than lease liabilities and amount due to a related party as at 31 December 2020 and 2021. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debts (which includes interest-bearing loans and borrowings), less cash and cash equivalents. Adjusted capital comprises all components of equity. The Group's strategy is to maintain the adjusted net debt-to-capital ratio (i.e. total lease liabilities and amount due to a related party less cash and cash equivalents over total equity) below 20%. The ratio as at 31 December 2020 was approximately 1.9%. As at 31 December 2021, as the total debt is less than cash and cash equivalent, no adjusted debt-to-capital ratio is calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Foreign Currency Risk

The Group is exposed to currency risk primarily through sales and bank deposits which give rise to receivables and cash balances that are denominated in USD under KEE Zippers Corporation Limited ("**KEE Zippers**"). As HK$ is pegged to USD, the Group considers the risk of movements in exchange rates between USD and HK$ to be insignificant. The Group had RMB denominated bank deposits amounting to approximately HK$0.31 million (2020: approximately HK$2.78 million) that was held by KEE Zippers and the Company for which HK$ is their functional currency. In addition, the Group had HK$ denominated inter-company other receivables amounting to approximately HK$153.84 million (2020: approximately HK$145.32 million) that were held by 開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited*) ("**KEE Guangdong**") and 開易(浙江)服裝配件有限公司 (KEE (Zhejiang) Garment Accessories Limited*) ("**KEE Zhejiang**") for which RMB is their functional currency. At 31 December 2021, it is estimated that a general appreciation/depreciation of 0.5% in HK$ against RMB, with all other variables held constant, would have decreased/increased the Group's net loss for the year and accumulated losses by approximately HK$0.77 million (2020: decreased/increased net loss and accumulated losses by approximately HK$0.71 million). The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure the bank deposits and the inter-company other receivables which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The Group has no hedging arrangement for foreign currencies. The management will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2021.

Employees

As at 31 December 2021, the Group had 690 full-time employees. The Group reviews the remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred in the year 2021 were approximately HK$109.80 million (2020: approximately HK$78.70 million). The increase in staff costs is mainly due to the resumption of operations as recovering from the COVID-19 pandemic and increase in performance bonus.

Charge of assets

The Group did not have any assets pledged for borrowings for the year ended 31 December 2021.

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2020 and 2021.

(2) For the year ended 31 December 2022

The Group continued to operate the zipper business during the year ended 31 December 2022. The customers in zipper business are primarily OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well-known international apparel labels. The Group maintains a close working relationship with apparel brand owners on the design of zippers to be applied on the apparel products. The apparel brand owners usually decide on the supplier for their OEMs and place orders with such OEMs who in turn source zippers and other garment accessories from the Group.

The Group's revenue for the year ended 31 December 2022, representing the revenue from zipper business, decreased to approximately HK$215.58 million as compared with approximately HK$239.72 million for the year ended 31 December 2021. Profit before taxation for the year ended 31 December 2022 was approximately HK$544,000 (2021: loss before taxation of approximately HK$16.94 million), representing a reverse change of approximately HK$17.48 million as compared to prior year. The turn-around was mainly due to the combined effect of: (i) an increase in selling price of zipper products which led to an increase in gross profit margin by approximately 2.3% as compared to that for the year ended 31 December 2021, and (ii) recognition of net foreign exchange gain of approximately HK$13.3 million instead of net foreign exchange loss of approximately HK$4.4 million in the corresponding period in 2021.

Revenue from sales of finished zippers and sliders decreased by approximately HK$28.22 million or 12.0% to approximately HK$206.85 million for the year ended 31 December 2022 (2021: approximately HK$235.07 million). The decrease was primarily due to decline in consumer demand. The Group's revenue was mainly derived from sales in Mainland China. Other countries or regions to which the Group sold its products for the year ended 31 December 2022 include but not limited to Hong Kong, Switzerland, Italy, India, Indonesia, Bangladesh, Germany, Korea, Vietnam, Tunisia and Jordan.

Others

Others represent items such as scrap material and zipper components. Revenue of other items increased by approximately HK$4.08 million to approximately HK$8.73 million for the year ended 31 December 2022 (2021: approximately HK$4.65 million).

Bank Borrowing

As at 31 December 2022 and 31 December 2021, the Group does not have any bank borrowings and therefore, the gearing ratio was not applicable.

Liquidity and Capital Resources

The Group adopts a prudent treasury policy with a funding policy aims at ensuring sufficient capital to meet the working capital requirements, increase capital efficiency and capital gains. The Group's net cash inflow from operating activities for the year 2022 amounted to approximately HK$15.65 million (2021: HK$35.59 million). As at 31 December 2022, cash and cash equivalents amounted to approximately HK$105.27 million, representing an increase of approximately HK$45.40 million as compared with the position as at 31 December 2021, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2022. As at 31 December 2022, the cash and cash equivalents of approximately HK$41.77 million, HK$53.0 million and HK$10.49 million are denominated in RMB, HK$ and USD, respectively. As at 31 December 2021, the cash and cash equivalents of approximately HK$55.56 million, HK$0.27 million and HK$3.62 million are denominated in RMB, HK$ and USD, respectively. The Group did not have borrowings other than lease liabilities and amount due to a related party as at 31 December 2021 and 2022. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debts (which includes interest-bearing loans and borrowings), less cash and cash equivalents. Adjusted capital comprises all components of equity. The Group's strategy is to maintain the adjusted net debt-to-capital ratio (i.e. total lease liabilities and amount due to a related party less cash and cash equivalents over total equity) below 20%. As at 31 December 2021 and 2022, as the total debt is less than cash and cash equivalent, no adjusted debt-to-capital ratio is calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Foreign Currency Risk

The Group is exposed to currency risk primarily through sales and bank deposits which give rise to receivables and cash balances that are denominated in USD under KEE Zippers. As HK$ is pegged to USD, the Group considers the risk of movements in exchange rates between USD and HK$ to be insignificant. The Group had RMB denominated bank deposits amounting to approximately HK$0.18 million (2021: approximately HK$0.31 million) that was held by KEE Zippers and the Company for which HK$ is their functional currency. In addition, the Group had HK$ denominated inter-company other receivables amounting to approximately HK$149.25 million (2021: approximately HK$153.84 million) that were held by KEE Guangdong, KEE Hubei and KEE Zhejiang for which RMB is their functional currency. Assuming that a general appreciation/depreciation of 0.5% in HK$ against RMB at 31 December 2022, with all other variables held constant, there would be a/an increase/decrease of the Group's net profit for the year and decrease/increase of accumulated losses by approximately HK$0.75 million (2021: decreased/increased net loss and accumulated losses by approximately HK$0.77 million). The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure the bank deposits and the inter-company other receivables which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The Group currently has no hedging arrangement for foreign currencies. The management will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2022.

Employees

As at 31 December 2022, the Group had 637 full-time employees. The Group reviews the remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred in the year 2022 were approximately HK$93.29 million (2021: approximately HK$109.80 million). The decrease in staff costs is mainly due to the reason that the full-time employees decreased.

Charge of assets

The Group did not have any assets pledged for borrowings for the year ended 31 December 2022.

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2021 and 2022.

(3) For the year ended 31 December 2023

The Group continued to operate the zipper business during the year ended 31 December 2023. Starting from September 2023, the Group commenced to provide property management services. The Group commenced property management services during the year through entering into a management agreement to operate and manage a land and properties with showrooms, car sales and offices, car maintenance and after sales services, namely Jiajinlong Car City (嘉進隆汽車城) located at Nanshan District of Shenzhen. The management and operation period for property management services shall be one year commencing from September 2023 to August 2024 which can be renewed for another one year subject to the agreement by each party. The Group continued to operate the zipper business during the year ended 31 December 2023. The customers in zipper business are primarily OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well-known international apparel labels. The Group maintains a close working relationship with apparel brand owners on the design of zippers to be applied on the apparel products. The apparel brand owners usually decide on the supplier for their OEMs and place orders with such OEMs who in turn source zippers and other garment accessories from the Group.

The Group's revenue for the year ended 31 December 2023, comprised revenue from property management services and zipper business, increased to HK$266.55 million as compared with approximately HK$215.58 million, representing the revenue from zipper business only for the year ended 31 December 2022. Loss before taxation for the year ended 31 December 2023 was approximately HK$70.60 million (2022: Profit before taxation HK$0.54 million), representing a reverse change of approximately HK$71.14 million as compared to prior year. The turn-around was mainly due to the recognition of impairment losses on certain assets included in the cash generating unit of zipper segment, principally including property, plant and equipment and right-of-use assets. The Company also adopted a new share option scheme during the year of which additional share option expenses incurred.

Revenue from sales of finished zippers and sliders increased by approximately HK$25.77 million or 12.46% to approximately HK$232.62 million for the year ended 31 December 2023 (2022: approximately HK$206.85 million). The increase was primarily due to growth in consumer demand. The Group's revenue was mainly derived from sales in Mainland China. Other countries or regions to which the Group sold its products for the year ended 31 December 2023 include but not limited to Hong Kong, Switzerland, Italy, India, Indonesia, Bangladesh, Germany, Korea, Vietnam, Tunisia and Jordan.

The Group continued to promote its future development by diversifying its business portfolio and exploring other business and investment opportunities. Beginning from September 2023, the Group has expanded its business into new property management services that provide stable and solid income to the Group.

Others

Others represent items such as scrap material and zipper components. Revenue of other items decreased by approximately HK$7.67 million to approximately HK$1.06 million for the year ended 31 December 2023 (2022: approximately HK$8.73 million).

Bank Borrowing

As at 31 December 2023 and 31 December 2022, the Group does not have any bank borrowings and therefore, the gearing ratio was not applicable.

Liquidity And Capital Resources

The Group adopts a prudent treasury policy with a funding policy aims at ensuring sufficient capital to meet the working capital requirements, increase capital efficiency and capital gains. The Group's net cash inflow from operating activities for the year 2023 amounted to approximately HK$1.30 million (2022: HK$15.65 million). As at 31 December 2023, cash and cash equivalents amounted to approximately HK$63.33 million, representing a decrease of approximately HK$41.94 million as compared with the position as at 31 December 2022, which was mainly due to the combined effect of the cash flows for the year ended 31 December 2023. As at 31 December 2023, the cash and cash equivalents of approximately HK$32.42 million, HK$25.23 million and HK$5.57 million are denominated in RMB, HK$ and USD, respectively. As at 31 December 2022, the cash and cash equivalents of approximately HK$41.77 million, HK$53.0 million and HK$10.49 million are denominated in RMB, HK$ and USD, respectively. The Group did not have borrowings other than lease liabilities and amount due to a related party as at 31 December 2022 and 2023. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debts (which includes interest-bearing loans and borrowings), less cash and cash equivalents. Adjusted capital comprises all components of equity. The Group's strategy is to maintain the adjusted net debt-to-capital ratio (i.e. total lease liabilities and amount due to a related party less cash and cash equivalents over total equity) below 20%. As at 31 December 2023, the adjusted net debts-to-capital ratio is 7.0%. As at 31 December 2022, as the total debt is less than cash and cash equivalents, no adjusted net debt-to-capital ratio is calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Foreign Currency Risk

The Group is exposed to currency risk primarily through sales and bank deposits which give rise to receivables and cash balances that are denominated in USD under KEE Zippers. As HK$ is pegged to USD, the Group considers the risk of movements in exchange rates between USD and HK$ to be insignificant. The Group had RMB denominated bank deposits amounting to approximately HK$0.09 million (2022: approximately HK$0.18 million) that was held by KEE Zippers and the Company for which HK$ is their functional currency.

In addition, the Group had HK$ denominated inter-company other receivables amounting to approximately HK$152.05 million (2022: approximately HK$149.25 million) that were held by KEE Guangdong, KEE Hubei and KEE Zhejiang for which RMB is their functional currency. Assuming that a general appreciation/depreciation of 0.5% in HK$ against RMB at 31 December 2023, with all other variables held constant, there would be a decrease/increase of the Group's net loss for the year and decrease/increase of accumulated losses by approximately HK$0.76 million (2022: increase/decrease in net profit and decrease/increase of accumulated losses by approximately HK$0.75 million). The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure the bank deposits and the inter-company other receivables which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The Group has no hedging arrangement for foreign currencies. The management will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no significant investment, material acquisitions or disposals for the year ended 31 December 2023.

Employees

As at 31 December 2023, the Group had 655 full-time employees. The Group reviews the remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred in the year 2023 were approximately HK$115.87 million (2022: approximately HK$93.29 million). The increase in staff costs is mainly due to increase in number of full time employees and average salary of employees.

Charge of assets

The Group did not have any assets pledged for borrowings for the year ended 31 December 2023.

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2022 and 2023.

(4) For the six months ended 30 June 2024

The Group continued to engage in manufacturing finished zippers in China. The Group's customers for zippers business are principally OEMs who manufacture apparel products for (i) some apparel brands in China; and (ii) some well-known international apparel brands. The Group maintains a close working relationship with apparel brand owners on the design of zippers to be applied in the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers and other garment accessories from the Group. The Group commenced property management services since September 2023 through entering into a management agreement to operate and manage Jiajinlong Car City (嘉進隆汽車城) located at Nanshan District of Shenzhen, Guangdong Province, the PRC. The management and operation period for property management services shall be one year commencing from September 2023 to August 2024 which can be renewed for another one year subject to the agreement by each party. The Group recorded profit attributable to equity shareholders of the Company of approximately HK$10.85 million for the six months ended 30 June 2024, as compared with profit attributable to equity shareholders of the Company of approximately HK$3.39 million for the same period in 2023. The increase in profit was primarily attributable to, among other factors, the introduction of property management business which contributed considerable revenue and profit for the period, in the amount of approximately HK$45.27 million and HK$30.19 million, respectively.

For the six months ended 30 June 2024, the Group recorded revenue amounting to approximately HK$160.4 million, representing an increase of approximately 30.0% as compared to the same period in 2023. The increase in revenue was primarily due to the expansion of new property management business that generated considerable revenue to the Group.

The Group's revenue from zipper business for the six months ended 30 June 2024 amounted to approximately HK$115.1 million, representing a decrease of approximately 6.7% as compared to the corresponding period in 2023.

Revenue for the six months ended 30 June 2024 comprised revenue from our zipper business and property management business while compared with the same period in 2023, there was only revenue generated from the Group's zipper business. The decrease in revenue in the Group's zipper business was due to the weak domestic consumption as a result of various factors and challenges including global economic depreciation of Renminbi and interest rates uncertainties on different fronts.

Prospects

Despite stable yearly growth in China's domestic economy and gross domestic product (GDP) in the first half year of 2024, difficulties have persisted due to geopolitical tensions, monetary policies, high interest rates, and a slowdown in global economic growth. The rising costs of raw materials, energy, and labor within China have continued to pose challenges. Additionally, the decline in consumerism has affected business development.

Gearing Ratio

The Group's gearing ratio as at 30 June 2024 was 6.5% (as at 30 June 2023: not applicable). Gearing ratio was calculated by dividing total borrowings by total equity as at the end of the respective year and multiplied by 100%.

Liquidity And Capital Resources

The Group adopts a prudent treasury policy with a funding policy aims at ensuring sufficient capital to meet the working capital requirements, increase capital efficiency and capital gains. The Group will apply the appropriate debt instrument in financing to achieve those objectives. The Group's net cash inflow from operating activities for the six months ended 30 June 2024 amounted to approximately HK$10.82 million (six months ended 30 June 2023: outflow of HK$16.55 million). Such increase was mainly attributable to an increase in trade creditors as at 30 June

2024. The Group's net cash outflow from investing activities for the six months ended 30 June 2024 amounted to approximately HK$17.93 million (six months ended 30 June 2023: HK$2.91 million). The net cash outflow was mainly attributable to the payment for the purchase of property, plant and equipment. The Group's net cash inflow from financing activities for the six months ended 30 June 2024 amounted to approximately HK$20.87 million (net cash outflow for the six months ended 30 June 2023: HK$12.56 million). The cash inflow for the six months ended 30 June 2024 was mainly attributable to proceeds from the placing of shares and proceeds from borrowing. As at 30 June 2024, cash and cash equivalents amounted to approximately HK$75.98 million, representing an increase of approximately HK$12.65 million as compared with the position as at 31 December 2023. Such increase was mainly due to new cash inflow from operation of property management business and additional funds arisen from placing of shares. As at 30 June 2024, cash and cash equivalents of the Group in the amount of approximately HK$40.81 million, HK$32.64 million and HK$2.42 million were denominated mainly in RMB, HK$ and USD, respectively. As at 31 December 2023, cash and cash equivalents of the Group in the amount of approximately HK$32.42 million, HK$25.23 million and HK$5.57 million were denominated mainly in RMB, HK$ and USD, respectively. The Group's borrowing was carried at average fixed interest rate of 3.5% for the six months ended 30 June 2024. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debts (which includes interest-bearing loans and borrowings), less cash and cash equivalents. Adjusted capital comprises all components of equity. The Group's strategy is to maintain the adjusted net debt-to-capital ratio (i.e. Borrowing plus total lease liabilities less cash and cash equivalents over total equity) below 20%. As at 30 June 2024, the debt-to-capital ratio was 1.2%. As at 31 December 2023, as the total debt was less than cash and cash equivalents, no adjusted net debt-to-capital ratio was calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Foreign Currency Risk

Individual companies within the Group has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the six months ended 30 June 2024.

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not have significant investments, material acquisitions and disposals of subsidiaries and associated companies for the six months ended 30 June 2024.

Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities.

Charge of assets

The Group did not have any assets pledged for borrowings for the six months ended 30 June 2024.

Employees

As at 30 June 2024, the Group had 753 full-time employees. The Group reviews the remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred in the six months ended 30 June 2024 were approximately HK$64.70 million (the six months ended 30 June 2023: approximately HK$51.05 million). The increase in staff costs is mainly due to the increase in headcount of the workers as a result of human resources integration and the share-based compensation.

7. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

Save for the Share Subscription contemplated under the Share Subscription Agreement (details of which are disclosed in this circular), since 31 December 2023 (being the date of which the latest published audited consolidated accounts of the Company were made up to), no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of the Company.

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 II-4 to II-40, 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 II-4 to II-40 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.

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 is 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 II–4 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
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

		For the year ended 31 December			For the six months ended 30 June	
		2021	**2022**	**2023**	**2023**	**2024**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
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	As at 31 December 2022 RMB'000	As at 31 December 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	Retained earnings	Total
	RMB'000	*RMB'000*	*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*	*RMB'000*
				(unaudited)	
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

	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*	*RMB'000*
				(unaudited)	
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 Mr. 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 PREPARATION OF HISTORICAL FINANCIAL INFORMATION

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 Listing of 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 method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic 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 OF 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 about 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.

Transaction 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*	*RMB'000*
				(unaudited)	
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*	*RMB'000*
				(unaudited)	
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 fees have been determined based on market rates for similar services.

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 (credit) 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	Salaries and other benefits	Performance bonus	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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	Leasehold improvement	Properties	Vehicles and other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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 approximate to their fair values and all were denominated 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 owed 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, approximate to their fair values and all are denominated 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 approximate 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, 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.

The carrying amount of the bank loan approximated to its fair value 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	Right-of-use assets/lease liabilities	ECL provision	Total
	RMB'000	*RMB'000*	*RMB'000*	*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, 31 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	Loss allowance	Net amount
	RMB'000	*RMB'000*	*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	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*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	**1 to 2 years**	**Total undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*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	**Bank loans**	**Lease liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*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.

BUSINESS OVERVIEW

The Target Company is a company established in the PRC with limited liability and is principally engaged in, amongst others, operation of the Jiajinlong Car City. As at the Latest Practicable Date, each of Mr. Chen and Mr. Zhang directly owns 50% each of the registered share capital of the Target Company.

PROSPECTS

Automobiles have inevitably become an indispensable part of contemporary human development. Responding to the diverse needs of car users and enthusiasts, a central communication and services hub, named "Car City" has since then been established. Our company operates within this Car City where it has leveraged its strategic geographical location and a decade of operational expertise. Additionally, our senior management has fostered a professional environment, catering to global car brands and users and provision of exceptional services. With the trend shifting towards the use of electric vehicles, Car City has been confronted with substantial and pressing challenges in its operations. It must navigate within increasingly stringent environmental standards and meet the demands for sustainable development. To propel this shift, Car City requires a new strategic direction.

Seeking to extend the rights of land usage, the Target Company has applied to relevant governmental agencies. However, approval for continuous utilization of the land hinges on urban planning, policy considerations and discretionary judgements within governmental entities. Regrettably, neither the Target Company nor the management can ensure that the application for an extension will be approved.

Our management firmly believes that the Car City operations and its expansion is and will significantly influence the regional economy, employment landscape and development of the automative industry. Despite economic and environmental uncertainties, our commitment to reform and innovate ensures that Car City's progression remains unhindered by the outcome of the extension application where the Target Company is assured there will be continuous growth.

REVENUE AND LOSS FOR THE RELEVANT PERIOD

For the years ended 31 December 2021, 2022 and 2023 and for the six-months ended 30 June 2024 (the "**Reporting Periods**"), the Target Company recognised revenue of approximately RMB214.2 million, RMB217.7 million, RMB174.1 million and RMB69.6 million, respectively. The revenue was mainly derived from rental and property management services.

Revenue decrease was mainly due to the changing of the driving force of motor vehicle industry from petrol vehicles to electric vehicles. With the change, showrooms operated by those vehicles brand in Jiajinlong Car City selling petrol vehicles were downsized or closed resulting in decreasing of rental and property management fee income received by the Target Company from petrol vehicles customers. However, the replacement of new electric vehicles seller was limited by the expiration of the right to use the Land on 29 June 2025 detailed in the section headed "INFORMATION OF JIAJINLONG CAR CITY" in the "Letter from the Board" of this circular. As at the Latest Practicable Date, the Target Company has not encountered or did not foresee any material obstacle in obtaining approval for the renewal of the right to use the Land, however, there is no assurance that the application will be successful. The Target Company (under the management of Shenzhen Errui) is assisting the Lessees to apply for the renewal of the right to use the Land.

During the Reporting Periods, the Target Company incurred total expenses amounted to approximately RMB122.5 million, RMB128.1 million, RMB131.6 million and RMB85.5 million, respectively. The expenses mainly comprised depreciation of property, plant and equipment, property management fee (if any), utilities and other expenses.

Starting from September 2023, the Target Company entered into the Management Agreement with Shenzhen Errui, a subsidiary of the Group to outsource the management of the Jiajinlong Car City. Under the Management Agreement, property management fee payable to the Group amounted to approximately RMB31.4 million for the year ended 31 December 2023 and approximately RMB43.6 million for the six-months period ended 30 June 2024 were incurred by the Target Company.

For the years ended 31 December 2021, 2022 and 2023, the Target Company recorded total profit of approximately RMB92.4 million, RMB91.7 million and RMB44.1 million, respectively. The decrease in revenue in 2023 was mainly attributable to the property management fee payable to the Group of approximately RMB31.4 million incurred under the Management Agreement, and the decrease in revenue of approximately RMB43.6 million, offset by the decrease in depreciation of property, plant and equipment of approximately RMB16.7 million and decrease in income tax of approximately RMB7.3 million.

For the six months ended 30 June 2024, the Target Group incurred a loss after tax of approximately RMB14.0 million, comparing to the net profit after tax of approximately RMB42.0 million for the six months ended 30 June 2023. Such loss incurred in the first half of 2024 was mainly attributable to the property management fee payable to the Group of approximately RMB43.6 million incurred under the Management Agreement, and the decrease in revenue of approximately RMB23.1 million compared to the first half of 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Target Company primarily funded its operation by, amongst others, equity financing and funds generated from business operations. As at 31 December 2021, 2022, 2023 and 30 June 2024, the Target Company's cash and cash equivalent were approximately RMB123.2 million, RMB59.7 million, RMB43.8 million and RMB36.9 million, respectively.

As at 31 December 2021, the Target Company's liabilities primarily included bank loan and lease liabilities. The Target Company's gearing ratio as at 31 December 2021 was 22.03%. Gearing ratio was calculated by dividing total borrowings and lease liabilities by total equity as at 31 December 2021 and multiplied by 100%.

As at 31 December 2022, the Target Company's liabilities primarily comprised lease liabilities. The Target Company's gearing ratio as at 31 December 2022 was 4.89%. Gearing ratio was calculated by dividing total lease liabilities by total equity as at 31 December 2022 and multiplied by 100%.

As at 31 December 2023 and 30 June 2024, the Target Company did not have any external borrowings, and hence the gearing ratio was not applicable.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

The Target Company transacts mainly in RMB, which is the functional currency of the Target Company and is exposed to foreign exchange risk.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable RMB revenue and expenditures. The Target Company does not have a foreign currency hedging policy. However, the directors of the Target Company monitor the Target Company's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting appropriate foreign currency hedging policy in the future.

SIGNIFICANT INVESTMENT HELD

As at 31 December 2021, 2022, 2023 and 30 June 2024, the Target Company did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Periods, Target Company did not engage in any material acquisition or disposal of subsidiaries, joint ventures or associates.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, 2022, 2023 and 30 June 2024, the Target Company's had approximately 34, 34, 35 and 35 full-time employees for its principal activities respectively. The Target Company recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided.

CHARGE OF ASSETS

As at 31 December 2021, 2022, 2023 and 30 June 2024, none of the Target Company's assets were pledged.

CONTINGENT LIABILITIES

As at 31 December 2021, 2022, 2023 and 30 June 2024, the Target Company did not have any material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at the Latest Practicable Date, the Target Company did not have any plans for material investments and capital assets.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Gilston Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Gilston Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 June 2024, the unaudited pro forma statement of profit or loss and other comprehensive income for the six months ended 30 June 2024 and the unaudited pro forma statement of cash flows for the six months ended 30 June 2024 and related notes as set out on pages IV-4 to IV-9 of the circular issued by the Company dated 25 November 2024 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-4 to IV-9 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed very substantial acquisition in relation to subscription of the registered capital of Shenzhen Jiajinlong Industrial Development Co., Ltd. in the amount of RMB9,000,000 at the consideration of RMB9,000,000 (the "**Share Subscription**") on the Group's financial position as at 30 June 2024 and the Group's financial performance and cash flows for the six months ended 30 June 2024 as if the transaction had taken place at 30 June 2024 and 1 January 2024 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements as of and for the six months ended 30 June 2024, on which unaudited interim report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Management

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

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2024 or 1 January 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

SFAI (HK) CPA Limited
Certified Public Accountants

Lee Yan Fai
Practising Certificate Number: P06078
Hong Kong

25 November 2024

(A) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the proposed very substantial acquisition in relation to subscription of the registered capital of Shenzhen Jiajinlong Industrial Development Co., Ltd (the "**Target Company**") in the amount of RMB9,000,000 at the consideration of RMB9,000,000 (the "**Share Subscription**"), the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Company and its subsidiaries (hereinafter referred to as the "**Group**") and the Target Company (together with the Group hereinafter referred to as the "**Enlarged Group**") have been prepared to illustrate the effect of the Share Subscription on the Group's financial position as at 30 June 2024 and the Group's financial performance and cash flows for the six months ended 30 June 2024 as if the Share Subscription had taken place at 30 June 2024 and 1 January 2024 respectively.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is solely for the purpose to illustrate the financial performance and cash flows of the Enlarged Group as if the Share Subscription had taken place on 30 June 2024 and 1 January 2024 respectively.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Share Subscription that are (i) directly attributable to the Share Subscription; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the unaudited pro forma financial information of the Enlarged Group may not give a true picture of the results, cash flows or assets and liabilities of the Enlarged Group would have been upon the completion of the Share Subscription for the six months ended 30 June 2024 or as of 30 June 2024 and in any future periods or on any future dates, as appropriate.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the management discussion and analysis of the Group as set out in Appendix I to this Circular, the accountants' report of the Target Company as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2024

	The Group	The Target Company	The Target Company	Pro forma adjustments			The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2a)*	*(Note 2b)*	*(Note 3)*	*(Note 4)*	*(Note 6)*	
Non-current assets							
Property, plant and equipment	43,028	46,138	49,366	8,625			101,019
Right-of-use assets	37,238	–	–				37,238
Intangible assets	437	–	–				437
Goodwill	–	–	–	938			938
Prepayments for property, plant and equipment	9,131	–	–				9,131
Rental deposits	3,252	–	–				3,252
Deferred tax assets	4,641	–	–				4,641
	97,727	46,138	49,366				156,656
Current assets							
Inventories	42,136	–	–				42,136
Trade and other receivables	130,280	5,702	6,101		(48,102)		88,279
Amounts due from a director and related companies	–	211,726	226,536	(226,536)			–
Cash and cash equivalents	75,977	36,900	39,481			(3,234)	112,224
	248,393	254,328	272,118				242,639

	The Group	The Target Company	The Target Company	Pro forma adjustments			The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2a)*	*(Note 2b)*	*(Note 3)*	*(Note 4)*	*(Note 6)*	
Current liabilities							
Trade and other payables	78,060	83,658	89,510		(48,102)		119,468
Borrowing	10,957	–	–				10,957
Tax payable	21,474	3,398	3,636				25,110
Lease liabilities	14,593	–	–				14,593
	125,084	87,056	93,146				170,128
Net current assets	123,309	167,272	178,972				72,511
Total assets less current liabilities	221,036	213,410	228,338				229,167
Non-current liabilities							
Lease liabilities	52,452	–	–				52,452
Deferred tax liabilities	1,124	6,982	7,470	2,929			11,523
	53,576	6,982	7,470				63,975
Net assets	167,460	206,428	220,868				165,192

(C) THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2024

	The Group	The Target Company	The Target Company	Pro forma adjustments		The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2a)*	*(Note 2b)*	*(Note 5)*	*(Note 6)*	
Revenue	160,386	69,602	74,729	(45,271)		189,844
Cost of Sales	(71,476)	–	–			(71,476)
Gross profit	88,910	69,602	74,729			118,368
Other revenue, gain and losses, net	(4,186)	1,914	2,055			(2,131)
Distribution costs	(10,971)	–	–			(10,971)
Administrative expenses	(47,715)	(78,810)	(84,615)	45,271	(3,234)	(90,293)
Interests on lease liabilities	(1,952)	–	–			(1,952)
Interests on bank borrowing	(4)	(1)	(1)			(5)
Profit (loss) before taxation	24,082	(7,295)	(7,832)			13,016
Income tax expense	(13,549)	(6,671)	(7,162)			(20,711)
Profit (loss) for the period	10,533	(13,966)	(14,994)			(7,695)

(D) THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2024

	The Group	The Target Company	The Target Company	Pro forma adjustments	The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2a)*	*(Note 2b)*	*(Note 6)*	
Cash flow from operating activities					
Cash generated from operations	11,022	19,712	21,164	(3,234)	28,952
Tax paid	(203)	(13,589)	(14,590)		(14,793)
Net cash generated from operating activities	10,819	6,123	6,574		14,159
Cash flow from Investing activities					
Interest received	–	59	63		63
Payment for the purchase of property, plant and equipment	(19,206)	–	–		(19,206)
Proceeds from disposal of property, plant and equipment	565	–	–		565
Receipts of time deposit with original maturity over 3 months	571	–	–		571
Other net cash flows arising from investing activities	141	–	–		141
Increase in amounts due from a director and related companies	–	(2,070)	(2,222)		(2,222)
Net cash used in investing activities	(17,929)	(2,011)	(2,159)		(20,088)

	The Group HK$'000 (Note 1)	The Target Company RMB'000 (Note 2a)	The Target Company HK$'000 (Note 2b)	Pro forma adjustments HK$'000 (Note 6)	The Enlarged Group HK$'000
Cash flow from financing activities					
Dividends paid	–	(11,000)	(11,810)		(11,810)
Capital element of lease rental paid	(8,020)	–	–		(8,020)
Interest element of lease rental paid	(1,952)	–	–		(1,952)
Proceeds from placing of new shares, net of expenses of HK$354,000	19,892	–	–		19,892
Proceeds from bank loan	10,953	–	–		10,953
Net cash generated from/(used in) financing activities	20,873	(11,000)	(11,810)		9,063
Net increase/(decrease) in cash and cash equivalents	13,763	(6,888)	(7,395)		3,134
Cash and cash equivalents at 1 January	63,332	43,788	47,014		110,346
Effect of foreign exchange rate changes	(1,118)	–	(138)		(1,256)
Cash and cash equivalents at 30 June	75,977	36,900	39,481		112,224

Notes:

1. The unaudited consolidated statement of financial position as at 30 June 2024, the unaudited consolidated statement of profit or loss and other comprehensive income and unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2024 were extracted from the published unaudited interim report of the Company for the six months ended 30 June 2024.

2a. The amounts have been extracted from the audited statement of financial position of the Target Company as at 30 June 2024, the audited statement of profit or loss and other comprehensive income and audited statement of cash flows of the Target Company for the six months ended 30 June 2024 in Appendix II to this Circular.

2b. For the purpose of the unaudited pro forma consolidated statement of financial position, the balances denominated in RMB have been translated into HK$ at RMB1 to HK$1.06995, the exchange rate prevailing as at 30 June 2024. For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the six months ended 30 June 2024, the amounts denominated in RMB have been translated into HK$ at RMB1 to HK$1.07366, the average exchange rate prevailing for the six months ended 30 June 2024.

3. Pursuant to the Share Subscription Agreement, the Group has conditionally agreed to subscribe for the register capital of the Target Company in the amount of RMB9,000,000, representing 90% of equity interest in the Target Company upon the Completion, at the Consideration of RMB9,000,000. As at the date of this Circular, the equity interest of the Target Company is owned as to 50% by Mr. Zhang and 50% by Mr. Chen respectively. Upon Completion, the equity interest of the Target Company will be owned as to 90% by the Group, 5% by Mr. Zhang and 5% by Mr. Chen, respectively.

   This adjustment represents the accounting for the Acquisition using the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations* issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of the Unaudited Pro Forma Financial Information, the Group has carried out an illustrative purchase price allocation and the fair values of the identifiable assets and liabilities of the Target Company as at 30 June 2024 were estimated by the Director with reference to the valuation performed by an independent professional qualified valuer, Graval Consulting Limited ("**Graval**").

The carrying values and fair values of the identifiable assets and liabilities of the Target Company as at 30 June 2024 are as follows:

	Carrying value *HK$'000*	Waiver of amounts due from a director and related companies and transfer the director's quarter to the director *HK$'000*	Change in fair value *HK$'000*	Fair value recognised on acquisition *HK$'000* *(note (i))*	Share Subscription *HK$'000*	Fair value recognised on acquisition after capital injection *HK$'000*
Property, plant and equipment *(notes (ii) and (iii))*	49,366	(3,093)	11,718	57,991		57,991
Trade and other receivables	6,101			6,101		6,101
Amounts due from a director and related companies *(note (ii))*	226,536	(226,536)		–		–
Cash and cash equivalents	39,481			39,481	9,630	49,111
Trade and other payables	(89,510)			(89,510)		(89,510)
Tax payable	(3,636)			(3,636)		(3,636)
Deferred tax liabilities *(note (iv))*	(7,470)		(2,929)	(10,399)		(10,399)
Total identifiable net assets	220,868			28		9,658
Non-controlling interests (10% equity interest in the Target Company)						(966)
Goodwill						938
Share Subscription						9,630

(i) The Director has estimated the fair value of the identifiable assets and liabilities of the Target Company as at 30 June 2024, by reference to a valuation report prepared by Graval (the "**Valuation Report**"), and have applied it as the fair value of the identifiable assets and liabilities of the Target Company in the Share Subscription in preparing the Unaudited Pro Forma Financial Information.

(ii) Pursuant to the agreement dated 31 August 2024 between the Target Company and the sole director of the Target Company, upon the Completion of the Share Subscription, the Target Company agreed to waive the amounts due from the director and related companies of the Target Company of approximately HK$226,536,000 (equivalent to approximately RMB211,726,000) as at 30 June 2024 and also transfer the director's quarter amounted to HK$3,093,000 (equivalent to RMB2,891,000) to the director at nil consideration.

(iii) Subsequent to the transfer of the director's quarter to the director, the carrying value of the Target Company's property, plant and equipment amounted to approximately HK$46,273,000 (equivalent to approximately RMB43,247,000). Based on the Valuation Report, the estimated fair value of the property, plant and equipment as at 30 June 2024 was approximately HK$57,991,000 (equivalent to approximately RMB54,200,000). Accordingly, a fair value upward adjustment of property, plant and equipment amounted to approximately HK$11,718,000 (equivalent to approximately RMB10,953,000) was made.

(iv) The deferred tax liabilities arose from the difference between the tax bases and the fair values of the property, plant and equipment amounted to approximately HK$2,929,000 was recognised. A tax rate of 25% was used to calculate deferred tax liability as it is the tax rate expected to apply in the period when the asset is realised.

(v) For the purpose of the unaudited pro forma financial information, it is assumed that the fair value of the net identifiable assets of the Target Company approximates their carrying values as at 30 June 2024. The fair value of the net identifiable assets of the Target Company being acquired are subject to changes upon Completion of the Share Subscription because the fair value of net identifiable assets of the Target Company being acquired shall be assessed and determined at the date of the actual Completion of the Share Subscription, respectively.

(vi) For the purpose of the preparation of the unaudited pro forma statement of assets and liabilities, the Directors have assessed the impairment of goodwill in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**"). The estimated goodwill arising from the Share Subscription is recognised and no impairment charge is considered necessary under the requirements of HKAS 36.

(vii) The Directors confirm that the Company will adopt consistent accounting policies, valuation methods and principal assumptions as used in the unaudited pro forma financial information to assess the impairment of the Enlarged Group's goodwill in subsequent reporting periods. Since the fair values of the consideration, identifiable assets and liabilities of the Target Company used in the preparation of the unaudited pro forma statement of assets and liabilities may be different from their fair values on the date when the Target Company became a subsidiary of the Group, the final amounts of goodwill and the identifiable assets and liabilities to be recognised in connection with the Share Subscription may be materially different from the estimated amounts stated herein and is subject to change upon the finalisation of the valuation on Completion.

(viii) The non-controlling interests of the Target Company is measured at their proportionate share in the recognised fair values of the net identifiable assets of the Target Company as at 30 June 2024. This adjustment is expected to have a continuing effect to the Enlarged Group.

4. The adjustment represents the elimination of unpaid property management fee payable by the Target Company to the Group as at 30 June 2024. This adjustment is expected to have a continuing effect to the Enlarged Group.

5. The adjustment represents the elimination of property management fee paid by the Target Company to the Group for the six months ended 30 June 2024. This adjustment is expected to have a continuing effect to the Enlarged Group.

6. The adjustment represents the estimated transaction costs of approximately HK$3,234,000, including the accountancy, legal, valuation and other professional services related to the Share Subscription. The expenses are charged to profit or loss directly. The adjustment has no continuing effect on the financial statements of the Enlarged Group in subsequent years.

7. Subsequent to 30 June 2024, the director of the Target Company has not recommended any dividend.

8. Apart from the above, no other adjustment has been made to reflect any trading results or other transactions entered into by the Group or the Target Company subsequent to 30 June 2024 for the unaudited pro forma statement of financial position as at 30 June 2024 as if the Share Subscription had taken place at 30 June 2024.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(i) Directors and chief executives' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Nature of interest	Number of Shares interested	Approximate percentage of the Company's issued Shares
Lin Ping*(Note 1)*	Interest in controlled corporation	26,556,126	4.62%
Mak Yung Pan Andrew*(Note 1)*	Interest in controlled corporation	26,556,126	4.62%
Yip Siu Lun Dave*(Note 2)*	Beneficial owner	33,465,888	5.83%
Cheung Ka Yuen*(Note 3)*	Beneficial owner	5,577,648	0.97%

Notes:

1. Golden Diamond Inc. ("**Golden Diamond**") is owned as to 60% by Ms. Lin Ping and 25% by Mr. Mak Yung Pan Andrew and holds long position in 26,556,126 shares of the Company. Accordingly, each of Ms. Lin Ping and Mr. Mak Yung Pan Andrew is deemed to be interested in the 26,556,126 shares of the Company.

2. Following the grant of share options on 27 September 2023 (the "**Scheme**") and the approval from shareholders in extraordinary general meeting on 29 November 2023, pursuant to the terms of the Scheme, the number of underlying Shares that Mr. Yip Siu Lun Dave is interested is 33,465,888 underlying Shares.

3. Following the grant of share options on 27 September 2023, pursuant to the terms of the Scheme, the number of underlying Shares that Ms. Cheung Ka Yuen is interested is 5,577,648 underlying Shares.

4. The percentage is calculated on the basis of 574,497,800 shares of the Company in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholders' interests and short positions in the Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following persons had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares and underlying shares of the Company

Name of Shareholder	Capacity	Number of Shares interested	Approximate percentage of interest
China Sun Corporation ("**China Sun**")*(Note 1)*	Beneficial owner	122,551,035	21.33%

Name of Shareholder	Capacity	Number of Shares interested	Approximate percentage of interest
Central Eagle Limited (“**Central Eagle**”)*(Note 2)*	Beneficial owner	130,897,663	22.78%
Golden Diamond*(Note 3)*	Beneficial owner	26,566,126	4.62%
Noble Wisdom Ever Limited (“**Noble Wisdom**”)*(Note 4)*	Security interest	326,089,600	56.76%
China Huarong Overseas Investment Holdings Co., Limited (“**Huarong Overseas**”)*(Note 5)*	Interest in controlled corporation	326,089,600	56.76%
華融華僑資產管理股份有限公司 Huarong Overseas Chinese Assets Management Corporation Limited* (“**Huarong Overseas Chinese**”)*(Note 6)*	Interest in controlled corporation	326,089,600	56.76%
Huarong Zhiyuan Investment & Management Company Limited* (“**Huarong Zhiyuan**”)*(Note 7)*	Interest in controlled corporation	326,089,600	56.76%
China Huarong Asset Management Co., Ltd. (“**China Huarong Asset Management**”)*(Note 7)*	Interest in controlled corporation	326,089,600	56.76%
Chan Ho Yin*(Note 8)*	Joint and several receivers	149,117,161	25.95%
Li Kin Long Kenny*(Note 8)*	Joint and several receivers	149,117,161	25.95%

Notes:

1. China Sun is wholly-owned by Mr. Qiu Chuanzhi.
2. Central Eagle is 100%-owned by Mr. Wu Jingming.
3. Golden Diamond is owned as to 60% by Ms. Lin Ping and 25% by Mr. Mak Yung Pan Andrew.
4. Noble Wisdom is wholly-owned by Huarong Overseas.

5. Huarong Overseas is wholly owned by Huarong Overseas Chinese.

6. Huarong Overseas Chinese is 91%-owned by Huarong Zhiyuan.

7. Huarong Zhiyuan is wholly owned by China Huarong Asset Management.

8. Chan Ho Yin and Li Kin Long Kenny have been appointed Joint and Several Receivers over the Shares held by China Sun and Golden Diamond in favour of Noble Wisdom since 7 October 2021 pursuant to two sets of the Deeds of Appointment of Receivers signed by Noble Wisdom dated 7 October 2021.

9. The percentage is calculated on the basis of 574,497,800 shares of the Company in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) that had registered an interest or a short position in the Shares, underlying shares or debentures of the Company which was required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which was required to be recorded in the register of the Company required to be kept under Section 336 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by the relevant member within one year without payment of compensation other than statutory compensation.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any material litigations or claims and no litigations or claims of material importance were pending or threatened by or against any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

(i) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and

(ii) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and was significant in relation to any business of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group.

7. MATERIAL CONTRACTS

The following agreements (not being in the ordinary course of business of the Group) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date that are or may be material:

(i) a lease agreement dated 31 August 2023 entered into between 開易(荊門)服裝配件有限公司 (KEE (Jingmen) Garment Accessories Limited*) as lessor and 開易(湖北)拉鏈製造有限公司 (KEE (Hubei) Zippers Manufacturing Limited*), an indirect subsidiary of the Company as lessee, in relation to the lease of the land with a total land use area of approximately 78,433.98 sq.m. located at 中國荊門市龍井大道以東、福耀二路以北土 地 (east of Longjing Avenue, Jingmen and north of Fuyao 2nd Road, the PRC*), inclusive of buildings with a gross floor area of approximately 49,459.67 sq.m. and car park with an area of approximately 835.52 sq.m. for a term of 6 years from 1 September 2023 to 31 August 2029 for a monthly rent at RMB969,735 for the period from 1 September 2023 to 31 August 2025, RMB1,027,919 for the period from 1 September 2025 to 31 August 2027 and RMB1,089,594 for the period from 1 September 2027 to 31 August 2029;

(ii) a lease agreement dated 29 December 2023 entered into between Shenzhen Errui (as lessee), and Shenzhen Maple Leaf Hotel (as lessor), a company which is indirectly wholly owned by Mr. Wu Ximing who is the father of Mr. Wu Cody Zhuo-xuan an executive Director in respect of the lease of the Suite 3502 and 3503, Block A, Phase 1, Sunshine Science and Technology Innovation Center, Nanxin Road, Nanshan District, Shenzhen, the PRC for a term of two years commencing from 30 December 2023 and up to 29 December 2025 for a monthly rent of RMB90,000;

(iii) a placing agreement (the "**Placing Agreement**") dated 4 January 2024 entered into between the Company and KGI Asia Limited in relation to the placing of up to a total of 16,733,000 new Shares, representing approximately 3% of the issued share capital of the Company as at the date of the Placing Agreement and approximately 2.91% of the issued share capital of the Company as at the Latest Practicable Date, to be allotted and issued pursuant to the terms and subject to the conditions of the Placing Agreement at the placing price at HK$1.21 per placing share;

(iv) an agreement dated 15 January 2024 entered into between Classic Winner Limited as lessor and KEE Zippers Corporation Limited, an indirect subsidiary of the Company, to renew the lease of Office B on the 16th Floor of YHC Tower, No. 1, Sheung Yuet Road, Kowloon, Hong Kong for a term of two years commencing from 16 January 2024 for the monthly rental at HK$52,600;

(v) a supplemental agreement dated 15 January 2024 entered into between 嘉善縣今和明自有資金投資有限公司 (Jiashan County Jinheming Private Capital Investment Company Limited*) and 開易(浙江)服裝配件有限公司 (KEE (Zhejiang) Garment Accessories Limited*), an indirect subsidiary of the Company to extend the lease of the land use rights of the piece of land located at 中國浙江省嘉善縣惠民街道金嘉大道116號的土地 (116 Jinjia Dadao, Huimin Jiedao, Jiashan County, Zhejiang Province, PRC*) and the seven blocks of buildings located thereon to 31 May 2024 at the monthly rent of RMB607,000; and

(vi) the Share Subscription Agreement.

* *for identification purposes*

8. EXPERT AND CONSENT

The following are the qualifications of the expert whose name, opinion and/or report are contained in this circular:

Name	**Qualifications**
SFAI (HK) CPA Limited	Certified Public Accountants, Hong Kong

SFAI (HK) CPA Limited has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, SFAI (HK) CPA Limited (i) has no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) has no direct or indirect interest in any assets which had been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group; and (iii) had given and had not withdrawn its consent to the issue of this circular with the inclusion of its letter, opinions and/or reports and the reference to its name included herein in the form and context in which they respectively appear.

9. METHOD OF VOTING AT THE EGM

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to the proposed resolution at the EGM.

10. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Chan Kam Fuk, who is a qualified accountant in Hong Kong and Australia.

(b) The registered office of the Company is at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

(c) The principal place of business in Hong Kong of the Company is at Suite 10A and 10B, 15/F., Nine Queen's Road Central, Central, Hong Kong.

(d) The address of the Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(e) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (https://www.irasia.com/listco/hk/gilstongroup/index.htm) for 14 days from the date of this circular:

(a) the material contracts referred to in the paragraph headed "7. MATERIAL CONTRACTS" in this appendix;

(b) the accountant's report of the Target Company as set out in appendix II to this circular;

(c) the accountant's report on the unaudited pro forma financial information of the Enlarged Group as set out in appendix IV to this circular;

(d) the written consent from the expert as referred to under the section headed "8. EXPERT AND CONSENT" in this appendix; and

(e) this circular.

GILSTON GROUP LIMITED
進騰集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Gilston Group Limited (the "**Company**") will be held at The Boardroom, Lobby level, The Langham, Hong Kong, 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong on 18 December 2024 at 11:00 a.m. for the following purposes of considering and, if thought fit, to pass, with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT** the share subscription agreement dated 30 September 2024 (the "**Share Subscription Agreement**") entered into between Shenzhen Errui Investment Co., Ltd.* (深圳市爾瑞投資有限公司) ("**Shenzhen Errui**"), Mr. Chen Huipeng (陳輝鵬), Mr. Zhang Hongjie (張鴻傑) and Shenzhen Jiajinlong Industrial Development Co., Ltd.* (深圳市嘉進隆實業發展有限公司) ("**Shenzhen Jiajinlong**") in respect of the subscription of the registered capital of Shenzhen Jiajinlong by Shenzhen Errui, (a copy of the Share Subscription Agreement marked "A" has been produced to this EGM and initialled by the chairman of this EGM for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and any one or more of the directors of the Company be and is hereby authorised to do such acts and things, to sign and execute all such further documents (including under seal, as applicable) and to take such steps as he may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Share Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waiver of any of the matters relating thereto or in connection therewith."

By Order of the Board
Gilston Group Limited
Yip Siu Lun Dave
Chairman and executive Director

Hong Kong, 25 November 2024

Notes:

1. A member of the Company entitled to attend and vote at the above EGM is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

2. To be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or other authority, must be lodged with the Company's share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, before 11:00 a.m. on 16 December 2024 (i.e. at least 48 hours excluding any part of a day that is a public holiday before the time appointed for holding the Meeting and any adjourned meeting (as the case may be)).

3. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

4. The register of members of the Company will be closed from 13 December 2024 to 18 December 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 12 December 2024.

5. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the EGM will be 18 December 2024.

As at the date of this notice, the executive Directors are Mr. Yip Siu Lun Dave, Mr. Mak Yung Pan Andrew, Mr. Wu Cody Zhuo-xuan and Ms. Cheung Ka Yuen; the non-executive Director is Ms. Lin Ping; and the independent non-executive Directors are Mr. Leung Ka Tin, Mr. Cheng Hong Kei and Mr. Ko Kwok Shu.

* *For identification purposes only*