

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

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(a)

Introduction

We report on the historical financial information of Chengdu Hong Sheng He Ding Real Estate Development Co., Ltd. (成都弘勝和鼎房地產開發有限公司) (the “**Target Company**”) set out on pages II-4 to II-34, which comprises the statements of financial position of the Target Company as at 31 December 2022, 2023 and 2024 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2022, 2023 and 2024 (the “**Relevant Periods**”) and a summary of material accounting policies and other explanatory information (together, the “**Historical Financial Information**”).

The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of Redsun Services Group Limited (the “**Company**”) dated 30 April 2025 (the “**Circular**”) in connection with the proposed acquisition 70% equity interest of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are 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 1 to the Historical Financial Information, and for such internal control as the directors 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.

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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1 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 directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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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 2022, 2023 and 2024 and of the Target Company's financial performance and cash flows for each of the Relevant Periods in accordance with the basis of preparation set out in note 1 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of 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-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid or declared and paid by the Target Company in respect of the Relevant Periods.

No historical financial statements for the Target Company

No historical financial statements have been prepared for the Target Company since its date of incorporation.

CCTH CPA 

CCTH CPA LIMITED
Certified Public Accountants
Shek Man Hei Kimmy

Practising Certificate Number: P07274

Hong Kong
30 April 2025

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HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of 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 International Financial Reporting Standards ("IFRS Accounting Standards") issued by International Accounting Standards Board (the "IASB") and were audited by CCTH CPA LIMITED in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Years ended 31 December		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	<u>5</u>	△ —	△ 651,128	△ 486,684
Cost of sales		△ —	△ (602,689)	△ (469,885)
Gross profit		△ —	△ 48,439	△ 16,799
Other income	<u>5</u>	△ 455	△ 282	△ 134
Selling and distribution expenses		△ (10,306)	△ (23,184)	△ (10,991)
Administrative expenses		△ (14,811)	△ (9,279)	△ (7,514)
Other expense	<u>5</u>	△ (222)	△ —	△ —
Finance costs	<u>7</u>	△ (190)	△ (59)	△ (15)
(LOSS) PROFIT BEFORE TAX	<u>6</u>	△ (25,074)	△ 16,199	△ (1,587)
Income tax credit (expense)	<u>10</u>	△ 6,272	△ (25,785)	△ (15,784)
LOSS AND OTHER COMPREHENSIVE				
LOSS FOR THE YEAR		△ (18,802)	△ (9,586)	△ (17,371)

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STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2022	2023	2024
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Right-of-use assets	12	1,074	488	—
Deferred tax assets	20	10,449	11,046	7,285
Total non-current assets		11,523	11,534	7,285
CURRENT ASSETS				
Properties under development	13	858,014	444,638	—
Completed properties held for sale	14	—	87,449	227,969
Trade receivables	15	10,627	3,161	2,343
Prepayments, other receivables and other assets	15	60,619	67,854	84,645
Due from fellow subsidiaries	24(b)	20,688	57,211	95,776
Due from related companies	24(b)	247	637	3,570
Tax recoverable		15,493	—	9,453
Cash and bank balances	16	125,226	95,310	41,306
Total current assets		1,090,914	756,260	465,062
CURRENT LIABILITIES				
Trade and bills payables	17	10,972	115,662	169,865
Other payables and accruals	18	188,610	65,604	13,848
Contract liabilities	19	660,439	309,859	29,434
Due to fellow subsidiaries	24(b)	62,554	102,735	84,897
Due to related companies	24(b)	165	60	60
Tax payable		—	4,334	22,531
Lease liabilities	12	571	457	—
Total current liabilities		923,311	598,711	320,635
NET CURRENT ASSETS		167,603	157,549	144,427
TOTAL ASSETS LESS CURRENT LIABILITIES		179,126	169,083	151,712
NON-CURRENT LIABILITY				
Lease liabilities	12	457	—	—
NET ASSETS		178,669	169,083	151,712
EQUITY				
Paid-in capital	21	210,000	210,000	210,000
Reserves		(31,331)	(40,917)	(58,288)
		178,669	169,083	151,712

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STATEMENTS OF CHANGES IN EQUITY

	<u>Paid-in capital</u>	<u>Accumulated</u>	<u>Total</u>
	<u>RMB'000</u>	<u>losses</u>	<u>RMB'000</u>
At 1 January 2022	<u>210,000</u>	<u>(12,529)</u>	<u>197,471</u>
Total comprehensive loss for the year	<u>—</u>	<u>(18,802)</u>	<u>(18,802)</u>
At 31 December 2022 and 1 January 2023	<u>210,000</u>	<u>(31,331)</u>	<u>178,669</u>
Total comprehensive loss for the year	<u>—</u>	<u>(9,586)</u>	<u>(9,586)</u>
At 31 December 2023 and 1 January 2024	<u>210,000</u>	<u>(40,917)</u>	<u>169,083</u>
Total comprehensive loss for the year	<u>—</u>	<u>(17,371)</u>	<u>(17,371)</u>
At 31 December 2024	<u>210,000</u>	<u>(58,288)</u>	<u>151,712</u>

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STATEMENTS OF CASH FLOWS

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax:	△ (25,074)	△ 16,199	△ (1,587)
Adjustments for:			
Depreciation of right-of-use assets	△ 1,745	△ 586	△ 488
Losses on lease modification	△ 222	△ —	△ —
Impairment losses recognised for completed properties held for sale	△ —	△ 7,782	△ 17,721
Finance costs	△ 190	△ 59	△ 15
Bank interest income	△ (455)	△ (282)	△ (134)
	△ (23,372)	△ 24,344	△ 16,503
(Increase) decrease in properties under development and completed properties held for sale	△ (52,557)	△ 346,401	△ 301,362
(Increase) decrease in prepayments, other receivables and other assets	△ (42,064)	△ 231	△ (15,973)
(Increase) decrease in restricted cash	△ (120,960)	△ 69,150	△ 42,094
(Decrease) increase in trade and bills payables	△ (48,086)	△ 104,690	△ 54,203
(Decrease) increase in other payables and accruals	△ (3,881)	△ 9,539	△ (1,354)
Increase (decrease) in contract liabilities	△ 389,699	△ (371,617)	△ (291,673)
Cash generated from operations	△ 98,779	△ 182,738	△ 105,162
Interest received	△ 455	△ 282	△ 134
Tax paid	△ (10,452)	△ (6,555)	△ (3,279)
Net cash flows from operating activities	△ 88,782	△ 176,465	△ 102,017
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to fellow subsidiaries	△ (12,105)	△ (36,523)	△ (38,565)
Repayments from fellow subsidiaries	△ 50,444	△ —	△ —
Advances to related companies	△ (247)	△ (390)	△ (2,933)
Net cash flows from (used in) from investing activities	△ 38,092	△ (36,913)	△ (41,498)

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	Years ended 31 December		
	2022	2023	2024
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
CASH FLOWS FROM FINANCING			
ACTIVITIES			
Advances from fellow subsidiaries	<u>▲ 137,993</u>	<u>▲ 40,181</u>	<u>▲ 1,284</u>
Repayments to fellow subsidiaries	<u>(170,600)</u>	<u>▲ -</u>	<u>(19,122)</u>
Repayments to related companies	<u>▲ (40)</u>	<u>▲ (105)</u>	<u>▲ -</u>
Repayments to non-controlling shareholder	<u>▲ (47,606)</u>	<u>(132,545)</u>	<u>(50,402)</u>
Principal portion of lease payments	<u>▲ (1,875)</u>	<u>▲ (571)</u>	<u>▲ (457)</u>
Repayments of interest-bearing bank borrowing	<u>(145,322)</u>	<u>▲ -</u>	<u>▲ -</u>
Interest portion of lease payments	<u>▲ (190)</u>	<u>▲ (59)</u>	<u>▲ (15)</u>
Interest paid	<u>▲ (5,946)</u>	<u>▲ (7,219)</u>	<u>▲ (3,717)</u>
Net cash used in financing activities	<u>(233,586)</u>	<u>(100,318)</u>	<u>(72,429)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(106,712)</u>	<u>▲ 39,234</u>	<u>(11,910)</u>
Cash and cash equivalents at beginning of year	<u>▲ 110,978</u>	<u>▲ 4,266</u>	<u>▲ 43,500</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>▲ 4,266</u>	<u>▲ 43,500</u>	<u>▲ 31,590</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	<u>▲ 125,226</u>	<u>▲ 95,310</u>	<u>▲ 41,306</u>
Less: Restricted cash	<u>(120,960)</u>	<u>▲ (51,810)</u>	<u>▲ (9,716)</u>
Cash and cash equivalents as stated in the statements of cash flows	<u>▲ 4,266</u>	<u>▲ 43,500</u>	<u>▲ 31,590</u>

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Chengdu Hong Sheng He Ding Real Estate Development Co., Ltd. (“成都弘勝和鼎房地產開發有限公司”) is a limited liability company incorporated in the People’s Republic of China (the “PRC”) in 2020. In the opinion of the directors of the Target Company (the “Directors”), the ultimate holding company and intermediate holding company of the Target Company are Hong Yang International Limited and Redsun Properties Group Limited, which are incorporated in British Virgin Islands and Cayman Islands, respectively. The intermediate holding company is listed on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office and principal place of business is 四川省成都市彭州市天彭街道蟠龍西路38號1棟2單元1樓106號. The Target Company is principally engaged in property development in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Target Company.

Statutory financial statements of Target Company for each of the three years ended 31 December 2024 have not been audited.

Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards which comprise all IFRS Accounting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the IASB. All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods. 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 convention.

Going concern

As at 31 December 2024, the Target Company had net current liabilities of approximately RMB83,542,000 after excluding the completed properties held for sale of approximately RMB227,969,000. The Historical Financial Information have been prepared on a going concern basis, as subsequent to the end of the reporting period, the fellow subsidiaries have agreed not to demand for any repayment of amounts due to fellow subsidiaries of approximately RMB84,897,000 as at 31 December 2024, for at least the next twelve months, until the Target Company is in a financial position to do so.

The Directors consider that the Target Company will have sufficient working capital to finance its operations in the foreseeable future and accordingly are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

2. NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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

IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²

¹ Effective for annual period beginning on or after 1 January 2025

² Effective for annual period beginning on or after 1 January 2026

³ Effective for annual period beginning on or after 1 January 2027

⁴ Effective for annual periods beginning on or after a date to be determined

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IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The Directors are in the process of assessing the detailed impact of IFRS 18 on the Historical Financial Information of the Target Company.

The Directors anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the Historical Financial Information of the Target Company in the foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

The material accounting policies are set out below.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

- (a) the party is a person or a close member of that person's family and 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 of a parent of the Target Company;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Target Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Target Company 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); and
 - (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 parent of the Target Company.

Properties under development

Properties under development are intended to be held for sale after completion.

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Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Leases

The Target Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Target Company as a lessee

The Target Company applies a single recognition and measurement approach for all lease. The Target Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Target Company adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office buildings

2-3 years

If ownership of the leased asset transfers to the Target Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Target Company's policy for "properties under development" or "completed properties held for sale".

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(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Company and payments of penalties for termination of a lease, if the lease term reflects the Target Company exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Company uses its incremental borrowing rate ("IBR") at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Financial assets

Initial recognition and measurement

Financial assets are recognised in the statement of financial position when an entity becomes a party to the contractual provisions of the instrument.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. The Target Company initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Period, the Target Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

Under the simplified approach, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at end of each of the Relevant Period. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of trade and bills payables and other payables and accruals net of directly attributable transaction costs (if any).

The Target Company's financial liabilities include trade and bills payables, other payables and accruals, and amounts due to fellow subsidiaries and related companies.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, trade and bills payables, other payables and accruals, and amounts due to fellow subsidiaries and related companies are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Target Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

Revenue recognition

Revenue from contracts with customers

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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Company will be entitled in exchange for transferring the goods or services to the customer.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Company and the customer at contract inception. When the contract contains a financing component which provides the Target Company with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of properties

Revenues are recognised when or as the control of the asset is transferred to the purchaser.

In determining the transaction price, the Target Company adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received from a customer before the Target Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as property under development for sale and property held for sale, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Other employee benefits

The employees are required to participate in a central pension scheme operated by the local municipal government (the "Defined Contribution Schemes") in Mainland China. Target Company is required to contribute a certain portion of its payroll costs to the Central Pension Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

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Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Target Company's Historical Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for properties under development and completed properties held for sale

The Target Company's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Target Company's historical experience and the nature of the subject properties, the Target Company makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC land appreciation tax ("LAT")

The Target Company is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Target Company has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

5. REVENUE, OTHER INCOME AND OTHER EXPENSE

During the Relevant Periods, the Target Company's revenue represents amounts received from the sale of properties from the property development business.

An analysis of revenue is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers and recognised at a point in time			
Sale of properties	<u>–</u>	<u>651,128</u>	<u>486,684</u>

The following table shows the amount of revenue recognised in the Relevant Periods that was included in the contract liabilities at the beginning of the Relevant Periods:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the Relevant Periods:			
Sale of properties	<u>–</u>	<u>660,439</u>	<u>309,859</u>

The performance obligation is satisfied upon delivery of the completed properties. Payment in advance from customers is normally required and the remaining balance is settled no later than the delivery date of the property.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue			
Within one year	<u>651,128</u>	<u>309,859</u>	<u>29,434</u>
In the second year	<u>9,311</u>	<u>–</u>	<u>–</u>
	<u>660,439</u>	<u>309,859</u>	<u>29,434</u>

An analysis of other income is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other income			
Bank interest income	<u>455</u>	<u>282</u>	<u>134</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

An analysis of other expense is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other expense			
Losses on lease modification	222	-	-

6. (LOSS) PROFIT BEFORE TAX

The Target Company's (loss) profit before tax during the Relevant Periods is arrived at after charging/(crediting):

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cost of inventories sold	-	(594,907)	(452,164)
Depreciation of right-of-use assets	1,745	586	488
Losses on lease modification	222	-	-
Impairment losses recognised for completed properties held for sale	-	7,782	17,721
Auditor's remuneration	-	-	-
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries	19,912	17,136	13,433
Pension scheme contributions and social welfare	2,835	2,264	1,604
Less: Amount capitalised	(10,162)	(8,793)	(5,737)
Total	12,585	10,607	9,300

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest expense arising from revenue contracts	16,562	21,037	11,248
Interest on bank loan	4,577	-	-
Interest on advance from a non-controlling shareholder	1,369	7,219	3,717
Interest on lease liabilities	190	59	15
Total interest expense on financial liabilities	22,698	28,315	14,980
Less: Interest capitalised	(22,508)	(28,256)	(14,965)
Total	190	59	15

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

8. DIRECTORS' REMUNERATION

The directors and supervisors of the Target Company did not receive any fee or other emoluments in respect of their service provided to the Target Company during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

None of the five highest paid employees during the Relevant Periods were directors or supervisors of the Target Company. Details of the remuneration of the remaining 5, 5 and 5 highest paid employees who are neither a director of the Target Company during the Relevant Periods are as follows:

	Years ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	3,655	3,055	2,675
Pension scheme contributions	383	346	257
Total	4,038	3,401	2,932

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	2022	2023	2024
Nil to HK\$1,000,000	5	5	5

During the Relevant Periods, no emoluments paid or payable by the Target Company were waived and no emoluments were paid by the Target Company to the five highest paid individual as an inducement to join or upon joining the Target Company or as compensation for loss of office during the Relevant Periods.

10. INCOME TAX (CREDIT) EXPENSE

Corporate income tax (the "CIT") is provided on assessable profits of entities incorporated in the PRC at the rate of 25% during the Relevant Periods.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Target Company has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	Years ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Current tax:			
CIT	-	-	-
LAT	-	26,382	12,023
Deferred tax (note 20)	(6,272)	(597)	3,761
Total tax (credit) expense for the year	(6,272)	25,785	15,784

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A reconciliation of income tax expense applicable to (loss) profit before tax at the statutory rate for the jurisdiction in which the Target Company is domiciled to the income tax expense at the effective income tax rate is as follows:

	Years ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
(Loss) profit before tax	(25,074)	16,199	(1,587)
At the statutory income tax rate	(6,272)	4,053	(396)
Unrecognised deductible temporary differences	-	1,946	7,163
Provision for LAT	-	26,382	12,023
Tax effect on LAT	-	(6,596)	(3,006)
Tax (credit) expense	(6,272)	25,785	15,784

11. DIVIDEND

No dividend has been paid or declared by the Target Company during the Relevant Periods.

12. LEASE

The Target Company as a lessee

The Target Company has lease contracts for various items of office buildings used in its operations. Leases of office buildings generally have lease terms between 2 and 3 years.

(a) Right-of-use assets

The carrying amounts of the Target Company's right-of-use assets and the movements during the Relevant Periods are as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at 1 January	5,094	1,074	488
Additions	1,171	-	-
Lease modification	(3,446)	-	-
Depreciation charge	(1,745)	(586)	(488)
Carrying amount at 31 December	1,074	488	-

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

(b) Lease liabilities

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at 1 January	4,956	1,028	457
New leases	1,171	-	-
Lease modification	(3,224)	-	-
Accretion of interest recognised during the year	190	59	15
Payments	(2,065)	(630)	(472)
Carrying amount at 31 December	1,028	457	-
Analysed into:			
Current portion	571	457	-
Non-current portion	457	-	-
	1,028	457	-

The maturity analysis of lease liabilities is disclosed in note 27(c) to the Historical Financial Information.

The weighted average incremental borrowing rates applied to lease liabilities ranged from 4.50% to 7.61%, 7.61% and 7.61% per annum for the years ended 31 December 2022, 2023 and 2024 respectively.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Years ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Interest on lease liabilities	190	59	15
Depreciation charge of right-of-use assets	1,745	586	488
Total amount recognised in profit or loss	1,935	645	503

(d) The total cash outflow for leases is disclosed in note 22 to the Historical Financial Information, and there are no outflows relating to leases that have not yet commenced.

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13. PROPERTIES UNDER DEVELOPMENT

	2022 RMB'000	2023 RMB'000	2024 RMB'000
At cost:			
Carrying amount at 1 January	782,949	858,014	444,638
Additions	75,065	276,762	165,767
Transferred to completed properties held for sale (Note 14)	-	(690,138)	(610,405)
Carrying amount at 31 December	858,014	444,638	-
Properties under development expected to be completed within normal operating cycle:			
- Within one year	656,501	444,638	-
- After one year	201,513	-	-
	858,014	444,638	-

The Target Company's properties under development are situated on leasehold land in Mainland China.

The value of properties under development is assessed at the end of each of the Relevant Period. An impairment exists when the carrying value exceeds their net realisable value.

No impairment loss provision has been recognised as at the end of the Relevant Periods.

14. COMPLETED PROPERTIES HELD FOR SALE

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at 1 January	-	-	87,449
Transferred from properties under development (Note 13)	-	690,138	610,405
Transferred to cost of sales (Note 6)	-	(594,907)	(452,164)
Impairment losses recognised (Note 6)	-	(7,782)	(17,721)
Carrying amount at 31 December	-	87,449	227,969

The movements in provision for impairment of completed properties held for sale are as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at 1 January	-	-	7,782
Impairment losses recognised	-	7,782	17,721
Carrying amount at 31 December	-	7,782	25,503

The value of completed properties held for sale is assessed at the end of each of the Relevant Period. An impairment exists when the carrying value exceeds their net realisable value.

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15. TRADE RECEIVABLES AND PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Trade receivables	10,627	3,161	2,343
Other tax recoverable	36,001	31,555	27,167
Other deposits	2,205	2,252	2,252
Property pre-sale proceeds deposited in accounts of local governments and related agencies	9,110	-	-
Prepayments for construction costs of properties	9,878	30,112	51,070
Other receivables	3,425	3,935	4,156
Carrying amount at 31 December	60,619	67,854	84,645

Other receivables are unsecured, non-interest-bearing and repayable on demand as at the end of each of the Relevant Periods.

16. CASH AND BANK BALANCES

	Note	2022 RMB'000	2023 RMB'000	2024 RMB'000
Cash and bank balances		125,226	95,310	41,306
Less: Restricted cash	(a)	(120,960)	(51,810)	(9,716)
Cash and cash equivalents		4,266	43,500	31,590

(a) Pursuant to relevant regulations in the PRC, the Target Company is required to place certain amounts of cash in the designated bank accounts for a specified use.

As at the end of each of the Relevant Periods, the cash and bank balances are dominated in RMB.

The RMB is not freely convertible into other currencies, however, under Mainland China Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Target Company, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at the end of each of the Relevant Periods, the internal credit ratings of restricted cash and cash and cash equivalents were performing. The Target Company has assessed that the credit risk of the restricted cash and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

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17. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Period, based on the invoice date, is as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Within 1 year	10,947	114,033	74,894
Over 1 year	25	1,629	94,971
Total	10,972	115,662	169,865

The trade payables and bills payables are unsecured and interest-free and are normally settled based on the progress of construction.

18. OTHER PAYABLES AND ACCRUALS

	Note	2022 RMB'000	2023 RMB'000	2024 RMB'000
Advances from a non-controlling shareholder	(a)	183,765	51,220	818
Other deposits		1,372	341	458
Payroll and welfare payable		2,878	-	-
Others		595	14,043	12,572
Total		188,610	65,604	13,848

(a) As at the end of the Relevant Periods, the balance of approximately RMB167,400,000, RMB26,400,000 and nil are unsecured and interest bearing at fixed rate of 10% and repayable on request of the non-controlling shareholder.

Included in the balance of approximately RMB16,365,000, RMB24,820,000 and RMB818,000 are unsecured and interest-free and repayable on demand as at the end of each of the Relevant Periods.

19. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Contract liabilities	660,439	309,859	29,434

The Target Company receives payments from customers based on billing schedules as established in the property sales. Payments are usually received in advance of the performance under the contracts which are property development.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

Movements of contract liabilities are as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of the year	254,178	660,439	309,859
Increase in advance from customers during the year	406,449	370,679	245,397
Interest expense arising from revenue contracts	16,562	21,037	11,248
Revenue recognised that was included in the contract liabilities balance at beginning of the year	-	(660,439)	(309,859)
Revenue recognised from performance obligations satisfied during the year	-	(46,263)	(219,071)
Refund to customers	(16,750)	(35,594)	(8,140)
At end of the year	660,439	309,859	29,434

Contract liabilities include advances received to deliver properties, and significant financing components for the contract where the period between the advance received from customers and the transfer of the promised property or service exceeds one year.

20. DEFERRED TAX

The movements in deferred tax assets and (liabilities) during the Relevant Periods are as follows:

	Unrealised revenue received in contract liabilities RMB'000	Tax losses RMB'000	LAT RMB'000	Lease liabilities RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	4,278	1,699	(795)	1,239	(1,274)	(970)	4,177
Deferred tax credited (charged) to profit or loss during the year	6,616	2,411	(1,093)	(982)	1,005	(1,685)	6,272
At 31 December 2022 and 1 January 2023	10,894	4,110	(1,888)	257	(269)	(2,655)	10,449
Deferred tax (charged) credited to profit or loss during the year	(5,737)	(872)	5,337	(143)	147	1,865	597
At 31 December 2023 and 1 January 2024	5,157	3,238	3,449	114	(122)	(790)	11,046
Deferred tax (charged) credited to profit or loss during the year	(4,657)	(1,500)	2,184	(114)	122	204	(3,761)
At 31 December 2024	500	1,738	5,633	-	-	(586)	7,285

For the presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of the financial position of the Target Company.

At the end of each of the Relevant Periods, the Target Company has deductible temporary differences of approximately RMB61,044,000, RMB55,614,000 and RMB56,987,000. No deferred tax asset has been recognised in respect of the deductible temporary differences of approximately nil, RMB7,782,000 and RMB25,503,000 due to the unpredictability of future profit streams at the end of each of the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

21. PAID-IN CAPITAL

RMB'000

Registered:

As at 1 January 2022, 31 December 2022, 2023 and 2024

210,000

Paid up:

As at 1 January 2022, 31 December 2022, 2023 and 2024

210,000

22. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year ended 31 December 2022, the Target Company had non-cash additions to right-of-use assets and lease liabilities of RMB1,171,000 and RMB1,171,000, respectively, in respect of lease arrangements for office buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings*	Other payables**	Due to related companies	Due to fellow subsidiaries	Lease liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	145,322	231,371	205	95,161	4,956
Cash flows from financing activities	(149,899)	(48,975)	(40)	(32,607)	(2,065)
New leases	-	-	-	-	1,171
Lease modification	-	-	-	-	(3,224)
Interest expense	4,577	1,369	-	-	190
At 31 December 2022 and 1 January 2023	-	183,765	165	62,554	1,028
Cash flows from financing activities	-	(139,764)	(105)	40,181	(630)
Interest expense	-	7,219	-	-	59
At 31 December 2023 and 1 January 2024	-	51,220	60	102,735	457
Cash flows from financing activities	-	(54,119)	-	(17,838)	(472)
Interest expense	-	3,717	-	-	15
At 31 December 2024	-	818	60	84,897	-

* Interest-bearing bank borrowing was secured by 重慶柏景銘度置業有限公司 and the Company's properties under development, during the year ended 31 December 2022, the Company has repaid the outstanding balance and the pledged assets are released.

** Other payables represented borrowing from the shareholder 四川峨勝水泥集團股份有限公司. The loan was disbursed in three installments. The first installment of RMB192,000,000 was paid on 28 December 2020. The second installment of RMB77,000,000 was paid on 10 March 2021. The third installment of RMB115,000,000 was paid on 16 June 2021. The loan is repayable on request of the non-controlling shareholder. The annual interest rate is 10% per annum. For overdue loans and interest, an additional penalty of 0.5% per day will be charged.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

During the Relevant Periods, the Target Company did not default the principal repayment and interest expense and the borrowing has been fully settled.

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Within financing activities	2,065	630	472

23. COMMITMENTS

The Target Company had the following capital commitments at the end of each of the Relevant Period:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Contracted, but not provided for:			
Property development activities	305,702	138,966	-

24. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Company had the following transactions with related party during the Relevant Periods:

	Note	2022 RMB'000	2023 RMB'000	2024 RMB'000
Non-controlling shareholder:				
Interest expense	(a)	1,369	7,219	3,717

(a) The interest expense was charged based on the fixed interest rate of 10% per annum.

A fellow subsidiary of the Target Company provided an office to use at nil consideration.

(b) Outstanding balances with fellow subsidiaries and related companies:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Due from fellow subsidiaries			
– Non-trade related	20,688	57,211	95,776
Due from related companies			
– Non-trade related	247	637	3,570

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

As at the end of each of the Relevant Periods, the Target Company performs impairment assessment under expected credit loss ("ECL") model on due from fellow subsidiaries and related companies, which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at the end of the Relevant Periods to reflect changes in credit risk since initial recognition. No impairment provision has been made as at the end of each of the Relevant Periods.

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Due to fellow subsidiaries			
– Non-trade related	62,554	102,735	84,897
Due to related companies			
– Non-trade related	165	60	60

The balances due from (to) fellow subsidiaries/related companies are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Target Company:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	–	–	–
Pension scheme contributions and social welfare	–	–	–
Total compensation paid to key management personal	–	–	–

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Period are as follows:

Financial assets

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Financial assets included in prepayments, other receivables and other assets	14,740	6,187	6,408
Due from fellow subsidiaries	20,688	57,211	95,776
Due from related companies	247	637	3,570
Cash and bank balances	125,226	95,310	41,306
Financial assets at amortised cost	160,901	159,345	147,060

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

Financial liabilities

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Trade and bills payables	10,972	115,662	169,865
Financial liabilities included in other payables and accruals	188,610	65,604	13,848
Due to fellow subsidiaries	62,554	102,735	84,897
Due to related companies	165	60	60
Lease liabilities	1,028	457	-
	<u>263,329</u>	<u>284,518</u>	<u>268,670</u>
Financial liabilities at amortised cost	<u>263,329</u>	<u>284,518</u>	<u>268,670</u>

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, amounts due from (to) fellow subsidiaries and related companies, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amounts with fellow subsidiaries and related companies and advance from a non-controlling shareholder. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as bank balances, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarized below.

(a) Interest rate risk

The Target Company was exposed to fair value interest rate risk in relation to interest-free deposit and fixed rate advance from a non-controlling shareholder.

The Target Company's exposure to cash flow interest rate risk in relation to bank balances is minimal as these balances have a short maturity period.

(b) Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Company's exposure to bad debts is not significant.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Financial assets included in prepayments, other receivables and other assets*	14,740	6,187	6,408
Due from fellow subsidiaries*	20,688	57,211	95,776
Due from related companies*	247	637	3,570
Cash and bank balances	125,226	95,310	41,306
Financial assets subject to the 12-month ECLs	160,901	159,345	147,060

* The credit quality of the financial assets is considered to be "normal" when they are not past due, there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

(c) Liquidity risk

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of trade and bills payables, lease liabilities, amounts due to fellow subsidiaries and related companies and financial liabilities included in other payables and accruals. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Target Company's financial liabilities and lease liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 years RMB'000	Total RMB'000
31 December 2022					
Trade and bills payables	10,972	-	-	-	10,972
Financial liabilities included in other payables and accruals	188,610	-	-	-	188,610
Due to fellow subsidiaries	62,554	-	-	-	62,554
Due to related companies	165	-	-	-	165
Lease liabilities	-	157	473	472	1,102
Total	262,301	157	473	472	263,403

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 years RMB'000	Total RMB'000
31 December 2023					
Trade and bills payables	115,662	—	—	—	115,662
Financial liabilities included in other payables and accruals	65,604	—	—	—	65,604
Due to fellow subsidiaries	102,735	—	—	—	102,735
Due to related companies	60	—	—	—	60
Lease liabilities	—	157	315	—	472
Total	284,061	157	315	—	284,533

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 years RMB'000	Total RMB'000
31 December 2024					
Trade and bills payables	169,865	—	—	—	169,865
Financial liabilities included in other payables and accruals	13,848	—	—	—	13,848
Due to fellow subsidiaries	84,897	—	—	—	84,897
Due to related companies	60	—	—	—	60
Total	268,670	—	—	—	268,670

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company may adjust the return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

The Target Company monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes, trade and bills payables, other payables and accruals, lease liabilities and amounts due to fellow subsidiaries and related companies less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the Relevant Periods were as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade and bills payables	10,972	115,662	169,865
Other payables and accruals	188,610	65,604	13,848
Lease liabilities	1,028	457	-
Due to fellow subsidiaries	62,554	102,735	84,897
Due to related companies	165	60	60
Less: Cash and cash equivalents	(125,226)	(95,310)	(41,306)
Net debt	138,103	189,208	227,364
Equity attributable to owners	178,669	169,083	151,712
Capital and net debt	316,772	358,291	379,076
Gearing ratio	43.6%	52.8%	60.0%

28. RETIREMENT BENEFIT SCHEMES

The employees of the Target Company's entities established in the PRC are members of a central pension scheme operated by the local municipal government. These entities are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these entities. The only obligation of these entities with respect to the central pension scheme is to meet the required contributions under the scheme.

29. CONTINGENT LIABILITIES

The Target Company provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Target Company's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Target Company is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, and upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Target Company's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees at initial recognition and the ECL allowance is not significant as the Directors consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties.

30. EVENT AFTER RELEVANT PERIOD

There was no material subsequent events undertaken by the Target Company at 31 December 2024.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 December 2024.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Introduction

We report on the historical financial information of Suqian Tong JinHong Real Estate Co., Ltd.* (宿遷市通金弘置業有限公司) (the “**Target Company**”) set out on pages II-38 to II-66, which comprises the statements of financial position of the Target Company as at 31 December 2022, 2023 and 2024, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2022, 2023 and 2024 (the “**Relevant Periods**”) and a summary of material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”).

The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of Redsun Services Group Limited (the “**Company**”) dated April 30, 2025 (the “**Circular**”) in connection with the proposed acquisition of 20% equity interest of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are 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 1 to the Historical Financial Information, and for such internal control as the directors 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.

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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1 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 directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

*English name is for identification purpose only

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

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 2022, 2023 and 2024 and of the Target Company's financial performance and cash flows for each of the Relevant Periods in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of 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-37 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid or declared and paid by the Target Company in respect of the Relevant Periods.

No historical financial statements for the Target Company

No historical financial statements have been prepared for the Target Company since its date of incorporation.

CCTH CPA 

CCTH CPA LIMITED

Certified Public Accountants

Shek Man Hei Kimmy

Practising Certificate Number: P07274

Hong Kong

April 30, 2025

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of 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 International Financial Reporting Standards ("IFRS Accounting Standards") issued by International Accounting Standards Board (the "IASB") and were audited by CCTH CPA LIMITED in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	<u>5</u>	▲ —	▲ 1,091,499	▲ 837,798
Cost of sales		▲ —	▲ (865,925)	▲ (760,395)
Gross profit		▲ —	▲ 225,574	▲ 77,403
Other income	<u>5</u>	▲ 1,420	▲ 705	▲ 262
Impairment loss on properties under development	<u>13</u>	▲ —	▲ —	▲ (68,288)
Impairment loss on completed properties held for sale	<u>14</u>	▲ —	▲ —	▲ (15,918)
Selling and distribution expenses		▲ (11,972)	▲ (11,270)	▲ (14,815)
Administrative expenses		▲ (3,103)	▲ (4,810)	▲ (3,991)
Finance costs	<u>6</u>	▲ —	▲ —	▲ —
(LOSS) PROFIT BEFORE TAX	<u>7</u>	▲ (13,655)	▲ 210,199	▲ (25,347)
Income tax credit (expense)	<u>10</u>	▲ 3,416	▲ (92,704)	▲ (44,948)
(LOSS) PROFIT AND OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		▲ (10,239)	▲ 117,495	▲ (70,295)

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Equipment	<u>12</u>	▲ 79	▲ 14	▲ 9
Deferred tax assets	<u>21</u>	▲ 31,907	▲ 23,335	▲ 19,149
Total non-current assets		▲ 31,986	▲ 23,349	▲ 19,158
CURRENT ASSETS				
Properties under development	<u>13</u>	▲ 1,729,661	▲ 1,024,326	▲ 487,289
Completed properties held for sale	<u>14</u>	▲ —	▲ 73,530	▲ 204,158
Prepayments, other receivables and other assets	<u>15</u>	▲ 108,863	▲ 89,107	▲ 81,654
Due from a shareholder	<u>25(b)</u>	▲ 298,210	▲ 310,330	▲ 310,330
Due from related companies	<u>25(b)</u>	▲ —	▲ 400	▲ 1,176
Tax recoverable	▲	▲ 35,772	▲ —	▲ —
Cash and bank balances	<u>16</u>	▲ 429,096	▲ 183,731	▲ 104,997
Total current assets		▲ 2,601,602	▲ 1,681,424	▲ 1,189,604
CURRENT LIABILITIES				
Trade payables	<u>17</u>	▲ 9,679	▲ 26,773	▲ 278,978
Other payables and accruals	<u>18</u>	▲ 14,660	▲ 21,060	▲ 24,115
Contract liabilities	<u>19</u>	▲ 1,958,108	▲ 1,020,686	▲ 334,023
Interest-bearing bank borrowings	<u>20</u>	▲ 157,500	▲ —	▲ —
Due to shareholders	<u>25(b)</u>	▲ 87,180	▲ 71,430	▲ 71,430
Due to related companies	<u>25(b)</u>	▲ 375,666	▲ 375,866	▲ 375,748
Tax payable	▲	▲ 7,747	▲ 48,415	▲ 54,220
Total current liabilities		▲ 2,610,540	▲ 1,564,230	▲ 1,138,514
NET CURRENT (LIABILITIES) ASSETS		▲ (8,938)	▲ 117,194	▲ 51,090
NET ASSETS		▲ 23,048	▲ 140,543	▲ 70,248
EQUITY				
Paid-in capital	<u>22</u>	▲ 50,000	▲ 50,000	▲ 50,000
Reserves		▲ (26,952)	▲ 90,543	▲ 20,248
		▲ 23,048	▲ 140,543	▲ 70,248

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

STATEMENTS OF CHANGES IN EQUITY

	<u>Paid-in capital</u> <u>RMB'000</u>	<u>Statutory surplus reserve</u> <u>RMB'000</u> <i>(Note)</i>	<u>(Accumulated losses)</u> <u>Retained profits</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
<u>At 1 January 2022</u>	<u>—</u>	<u>—</u>	<u>(16,713)</u>	<u>(16,713)</u>
<u>Capital contribution from shareholders</u>	<u>50,000</u>	<u>—</u>	<u>—</u>	<u>50,000</u>
<u>Total comprehensive loss for the year</u>	<u>—</u>	<u>—</u>	<u>(10,239)</u>	<u>(10,239)</u>
<u>At 31 December 2022 and 1 January 2023</u>	<u>50,000</u>	<u>—</u>	<u>(26,952)</u>	<u>23,048</u>
<u>Total comprehensive income for the year</u>	<u>—</u>	<u>—</u>	<u>117,495</u>	<u>117,495</u>
<u>Appropriations to statutory surplus reserve</u>	<u>—</u>	<u>11,750</u>	<u>(11,750)</u>	<u>—</u>
<u>At 31 December 2023 and 1 January 2024</u>	<u>50,000</u>	<u>11,750</u>	<u>78,793</u>	<u>140,543</u>
<u>Total comprehensive loss for the year</u>	<u>—</u>	<u>—</u>	<u>(70,295)</u>	<u>(70,295)</u>
<u>At 31 December 2024</u>	<u>50,000</u>	<u>11,750</u>	<u>8,498</u>	<u>70,248</u>

Note: Under the People's Republic of China (the "PRC") Law, the Target Company established in the PRC are required to transfer 10% of their net profit determined under the generally accepted accounting principles in the PRC to a non-distributable statutory reserve. Statutory surplus reserve can be used to make up for previous year's losses or converted into additional capital. When the balance of such reserve reaches 50% of the capital, any further appropriation is optional.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING			
ACTIVITIES			
(Loss) profit before tax:	△ (13,655)	△ 210,199	△ (25,347)
Adjustments for:			
Depreciation of equipment	△ 75	△ 65	△ 5
Bank interest income	△ (1,420)	△ (705)	△ (262)
Impairment loss on properties under development	△ —	△ —	△ 68,288
Impairment loss on completed properties held for sale	△ —	△ —	△ 15,918
	△ (15,000)	△ 209,559	△ 58,602
(Increase) decrease in properties under development and completed properties held for sale	△ (263,487)	△ 703,701	△ 357,007
Decrease in prepayments, other receivables and other assets	△ 9,470	△ 19,756	△ 7,453
(Increase) decrease in restricted cash	△ (40,219)	△ 148,459	△ 81,919
Increase in trade payables	△ 9,679	△ 17,094	△ 252,205
(Decrease) increase in other payables and accruals	△ (584)	△ 6,400	△ 3,055
Increase (decrease) in contract liabilities	△ 493,716	△ (1,005,701)	△ (721,467)
Cash generated from operations	△ 193,575	△ 99,268	△ 38,774
Interest received	△ 1,420	△ 705	△ 262
Tax paid	△ (18,341)	△ (7,692)	△ (34,957)
Net cash flows from operating activities	△ 176,654	△ 92,281	△ 4,079
CASH FLOWS FROM INVESTING			
ACTIVITIES			
Purchase of equipment	△ (15)	△ —	△ —
Advance to a shareholder	△ (31,080)	△ (12,120)	△ —
Repayments from related companies	△ —	△ —	△ 1,105
Advances to related companies	△ —	△ (400)	△ (1,881)
Net cash flows used in investing activities	△ (31,095)	△ (12,520)	△ (776)

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

	Year ended 31 December		
	2022	2023	2024
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
CASH FLOWS FROM FINANCING			
ACTIVITIES			
Repayments to shareholders	▲ (49,050)	▲ (15,750)	▲ —
Advances from related companies	▲ —	▲ 200	▲ —
Repayments to related companies	▲ (149)	▲ —	▲ (118)
Proceeds from capital contribution from shareholder	▲ 50,000	▲ —	▲ —
Repayments of interest-bearing bank borrowing	▲ (87,100)	▲ (157,500)	▲ —
Interest paid	▲ (10,977)	▲ (3,617)	▲ —
Net cash used in financing activities	▲ (97,276)	▲ (176,667)	▲ (118)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	▲ 48,283	▲ (96,906)	▲ 3,185
Cash and cash equivalents at beginning of year	▲ 57,597	▲ 105,880	▲ 8,974
CASH AND CASH EQUIVALENTS AT END OF YEAR	▲ 105,880	▲ 8,974	▲ 12,159
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	▲ 429,096	▲ 183,731	▲ 104,997
Less: Restricted cash	▲ (323,216)	▲ (174,757)	▲ (92,838)
Cash and cash equivalents as stated in the statement of cash flows	▲ 105,880	▲ 8,974	▲ 12,159

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Suqian Tong JinHong Real Estate Co., Ltd. is a limited liability company incorporated in the PRC in 2020. In the opinion of the directors of the Target Company (the “Directors”), the immediate holding company and ultimate controlling party of the Target Company are Yancheng Tongjia Enterprise Management Co., Ltd.* (鹽城通佳企業管理有限公司) which is incorporated in the PRC and Mr. Shi Weiwei (施為偉), who is an independent third party of the Company. The address of its registered office and principal place of business is 宿遷市宿豫區錦華名園一區商鋪17B-20B. The Target Company is principally engaged in property development in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Target Company.

Statutory financial statements of Target Company for each of the three years ended 31 December 2024 have not been audited.

Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards which comprise all IFRS Accounting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the IASB. All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods. 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 convention.

Going concern

As at 31 December 2024, the Target Company had net current liabilities of approximately RMB640,357,000 after excluding the properties under development and completed properties held for sale of approximately RMB487,289,000 and RMB204,158,000 respectively. The Historical Financial Information have been prepared on a going concern basis, as subsequent to the end of the reporting period, the related companies have agreed not to demand for any repayment of amounts due to related companies of approximately RMB375,748,000 as at 31 December 2024, for at least the next twelve months, until the Target Company is in a financial position to do so. In additions, the current liabilities consisted of contract liabilities from customers of approximately RMB334,023,000, which will be settled by transferred of completed properties from the Target Company rather than settled by cash.

The Directors consider that the Target Company will have sufficient working capital to finance its operations in the foreseeable future and accordingly are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

2. NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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

IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

¹ Effective for annual period beginning on or after 1 January 2025

² Effective for annual period beginning on or after 1 January 2026

³ Effective for annual period beginning on or after 1 January 2027

⁴ Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the Historical Financial Information of the Target Company in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The Directors are in the process of assessing the detailed impact of IFRS 18 on the Historical Financial Information of the Target Company.

The Directors anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the Historical Financial Information of the Target Company in the foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

The material accounting policies are set out below.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each the reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

- └(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); and└
- └(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 parent of the Target Company.└

└Equipment└

└Equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.└

└Expenditure incurred after items of equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.└

└Depreciation is calculated on the straight-line basis to write-off the cost of each item of equipment to its residual value over its estimated useful life.└

└An item of equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.└

└Properties under development└

└Properties under development are intended to be held for sale after completion.└

└Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.└

└Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.└

└Completed properties held for sale└

└Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.└

└Financial assets└

└Initial recognition and measurement└

└Financial assets are recognised in the statement of financial position when an entity becomes a party to the contractual provisions of the instrument.└

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. The Target Company initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Target Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of interest-bearing bank borrowings, trade payables, other payables and accruals, net of directly attributable transaction costs.

The Target Company's financial liabilities include interest-bearing bank borrowings, trade payables, other payables and accruals, and amounts due to shareholders and related companies.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, interest-bearing bank borrowings, trade payables, other payables and accruals, and amounts due to shareholders and related companies are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Target Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Company will be entitled in exchange for transferring the goods or services to the customer.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Company and the customer at contract inception.

When the contract contains a financing component which provides the Target Company with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of properties

Revenues are recognised when or as the control of the asset is transferred to the purchaser.

In determining the transaction price, the Target Company adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received from a customer before the Target Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

Contract costs

Other than the costs which are capitalised as property under development for sale and property held for sale, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Other employee benefits

The employees are required to participate in a central pension scheme operated by the local municipal government (the "Defined Contribution Schemes") in Mainland China. Target Company is required to contribute a certain portion of its payroll costs to the Central Pension Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Target Company's Historical Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for properties under development and completed properties held for sale

The Target Company's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Target Company's historical experience and the nature of the subject properties, the Target Company makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

PRC land appreciation tax ("LAT")

The Target Company is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Target Company has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

5. REVENUE AND OTHER INCOME

During the Relevant Periods, the Target Company's revenue represents amounts received from the sale of properties from the property development business.

An analysis of revenue is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers and recognised at a point in time			
Sale of properties	<u>—</u>	<u>1,091,499</u>	<u>837,798</u>

The following table shows the amount of revenue recognised in the Relevant Periods that was included in the contract liabilities at the beginning of the Relevant Periods:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the Relevant Periods:			
Sale of properties	<u>—</u>	<u>1,091,499</u>	<u>837,798</u>

The performance obligation is satisfied upon delivery of the completed properties. Payment in advance from customers is normally required and the remaining balance is settled no later than the delivery date of the property.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue:			
Within one year	<u>1,091,499</u>	<u>936,409</u>	<u>306,443</u>
In the second year	<u>704,930</u>	<u>—</u>	<u>—</u>
	<u>1,796,429</u>	<u>936,409</u>	<u>306,443</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

An analysis of other income is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other income			
Bank interest income	<u>1,420</u>	<u>705</u>	<u>262</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest expense arising from revenue contracts	<u>67,667</u>	<u>68,279</u>	<u>34,804</u>
Interest on bank borrowings	<u>10,583</u>	<u>3,617</u>	<u>-</u>
Total interest expense on financial liabilities	<u>78,250</u>	<u>71,896</u>	<u>34,804</u>
Less: Interest capitalised	<u>(78,250)</u>	<u>(71,896)</u>	<u>(34,804)</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>

7. (LOSS) PROFIT BEFORE TAX

The Target Company's (loss) profit before tax during the Relevant Periods is arrived at after charging/(crediting):

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cost of inventories sold	<u>-</u>	<u>865,925</u>	<u>760,395</u>
Depreciation of equipment	<u>75</u>	<u>65</u>	<u>5</u>
Impairment loss on properties under development	<u>-</u>	<u>-</u>	<u>68,288</u>
Impairment loss on completed properties held for sale	<u>-</u>	<u>-</u>	<u>15,918</u>
Auditor's remuneration	<u>-</u>	<u>-</u>	<u>-</u>
Employee benefit expense (including directors' remuneration (Note 8)):			
Wages and salaries	<u>5,702</u>	<u>5,282</u>	<u>4,703</u>
Pension scheme contributions and social welfare	<u>777</u>	<u>1,008</u>	<u>357</u>
Less: Amount capitalised	<u>(721)</u>	<u>(2,478)</u>	<u>(2,548)</u>
Total	<u>5,758</u>	<u>3,812</u>	<u>2,512</u>

8. DIRECTORS' REMUNERATION

The directors and supervisor of the Target Company did not receive any fee or other emoluments in respect of their services provided to the Target Company during the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

9. FIVE HIGHEST PAID EMPLOYEES

None of the five highest paid employees during the Relevant Periods were directors or supervisors of the Target Company. Details of the remuneration of the remaining 5, 5 and 5 highest paid employees who are neither a director of the Target Company during the Relevant Periods are as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB '000	RMB '000	RMB '000
Salaries, allowances and benefits in kind	—	—	—
Pension scheme contributions	—	—	—
Total	—	—	—

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2022	2023	2024
Nil to HK\$1,000,000	—	—	—

10. INCOME TAX (CREDIT) EXPENSE

Corporate Income Tax (the "CIT") is provided on assessable profits of entities incorporated in the PRC at the rate of 25% during the Relevant Periods.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Target Company has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	Years ended 31 December		
	2022	2023	2024
	RMB '000	RMB '000	RMB '000
Current tax:			
CIT	4,114	30,592	451
LAT	—	53,540	40,311
Deferred tax (credit) expense (Note 21)	(7,530)	8,572	4,186
Total tax (credit) expense for the year	(3,416)	92,704	44,948

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

A reconciliation of income tax expense applicable to (loss) profit before tax at the statutory rate for the jurisdiction in which the Target Company is domiciled to the income tax (credit) expense at the effective income tax rate is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
(Loss) profit before tax	(13,655)	210,199	(25,347)
At the statutory income tax rate	(3,416)	52,549	(6,337)
Unrecognised deductible temporary differences	-	-	21,052
Provision for LAT	-	53,540	40,311
Tax effect on LAT	-	(13,385)	(10,078)
Tax (credit) expense	(3,416)	92,704	44,948

11. DIVIDEND

No dividend has been paid or declared by the Target Company during the Relevant Periods.

12. EQUIPMENT

	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At cost:			
As at 1 January	222	237	237
Additions	15	-	-
As at 31 December	237	237	237
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Accumulated depreciation:			
As at 1 January	83	158	223
Charged for the year	75	65	5
As at 31 December	158	223	228
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Carrying amount:			
As at 31 December	79	14	9

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

13. PROPERTIES UNDER DEVELOPMENT

	2022 RMB'000	2023 RMB'000	2024 RMB'000
At cost:			
Carrying amount at 1 January	1,387,924	1,729,661	1,024,326
Additions	341,737	234,120	438,192
Transferred to completed properties held for sale (Note 14)	–	(939,455)	(906,941)
Impairment loss recognised	–	–	(68,288)
Carrying amount at 31 December	1,729,661	1,024,326	487,289
Properties under development expected to be completed within normal operating cycle:			
– Within one year	939,455	906,941	487,289
– After one year	790,206	117,385	–
	1,729,661	1,024,326	487,289

The Target Company's properties under development are situated on leasehold land in Mainland China.

The movements in provision for properties under development are as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at 1 January	–	–	–
Impairment losses recognised	–	–	68,288
Carrying amount at 31 December	–	–	68,288

The value of properties under development is assessed at the end of each of the Relevant Periods. An impairment exists when the carrying value exceeds their net realisable value.

14. COMPLETED PROPERTIES HELD FOR SALE

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at 1 January	–	–	73,530
Transferred from properties under development (Note 13)	–	939,455	906,941
Transferred to cost of sales (Note 7)	–	(865,925)	(760,395)
Impairment losses recognised	–	–	(15,918)
Carrying amount at 31 December	–	73,530	204,158

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

The movements in provision for impairment of completed properties held for sale are as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at 1 January	—	—	—
Impairment losses recognised	—	—	15,918
Carrying amount at 31 December	—	—	15,918

The value of completed properties held for sale is assessed at the end of each of the Relevant Periods. An impairment exists when the carrying value exceeds their net realisable value.

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Other tax recoverable	61,704	17,227	10,523
Other deposits	370	867	1,391
Maintenance fund	19,144	30,476	27,200
Prepayments for construction costs of properties	14,750	15,397	12,064
Cost of obtaining contracts	6,257	8,787	7,447
Expenses paid on behalf of constructor	2,371	14,185	14,038
Other receivables	4,267	2,168	8,991
Carrying amount at 31 December	108,863	89,107	81,654

Other receivables are unsecured, non-interest-bearing and repayable on demand as at the end of each of the Relevant Periods.

16. CASH AND BANK BALANCES

	Note	2022 RMB'000	2023 RMB'000	2024 RMB'000
Cash and bank balances		429,096	183,731	104,997
Less: Restricted cash	(a)	(323,216)	(174,757)	(92,838)
Cash and cash equivalents		105,880	8,974	12,159

(a) Pursuant to relevant regulations in the PRC, the Target Company is required to place certain amounts of cash in the designated bank accounts for a specified use and these cash are restricted in use.

At the end of each of the Relevant Periods, the cash and bank balances are dominated in RMB.

The RMB is not freely convertible into other currencies, however, under Mainland China Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Target Company, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

At the end of each of the Relevant Period, the internal credit ratings of restricted cash and cash and cash equivalents were performing. The Target Company has assessed that the credit risk of the restricted cash and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

17. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Within 1 year	9,679	26,773	278,978

The trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

18. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Other deposits	5,283	4,863	3,721
Others	9,377	16,197	20,394
Total	14,660	21,060	24,115

19. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Contract liabilities	1,958,108	1,020,686	334,023

The Target Company receives payments from customers based on billing schedules as established in the property sales. Payments are usually received in advance of the performance under the contracts which are property development.

Movements of contract liabilities are as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of the year	1,396,725	1,958,108	1,020,686
Increase in advance from customers during the year	512,529	102,297	137,666
Interest expense arising from revenue contracts	67,667	68,279	34,804
Revenue recognised that was included in the contract liabilities balance at beginning of the year	-	(1,091,499)	(837,798)
Revenue recognised from the performance obligation satisfied during the year	-	(4,592)	(21,282)
Refund to customers	(18,813)	(11,907)	(53)
At end of the year	1,958,108	1,020,686	334,023

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

Contract liabilities include advances received to deliver information properties, and significant financing components for the contract where the period between the advance received from customers and the transfer of the promised property or service exceeds one year.

20. INTEREST-BEARING BANK BORROWINGS

	2022 RMB'000	2023 RMB'000	2024 RMB'000
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Analysed into:

Bank loan repayable at fixed interest rate:

Within one year

	157,500	-	-
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As at 31 December 2022, the Target Company's interest-bearing bank borrowing is secured by the Group's properties under development. During the year ended 31 December 2023, the Target Company has repaid the outstanding balance and the pledged assets are released.

The effective interest rate of the bank loan is 2.3% per annum during the year ended 31 December 2022.

21. DEFERRED TAX

The movements in deferred tax assets and (liabilities) during the Relevant Periods are as follows:

	Unrealised revenue received in contract liabilities RMB'000	Accrual for LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	31,087	(6,174)	(536)	24,377
Deferred tax credited (charged) to profit or loss during the year	11,326	(2,768)	(1,028)	7,530
At 31 December 2022 and 1 January 2023	42,413	(8,942)	(1,564)	31,907
Deferred tax (charged) credited to profit or loss during the year	(20,462)	12,523	(633)	(8,572)
At 31 December 2023 and 1 January 2024	21,951	3,581	(2,197)	23,335
Deferred tax (charged) credited to profit or loss during the year	(14,599)	10,078	335	(4,186)
At 31 December 2024	7,352	13,659	(1,862)	19,149

For the presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of the financial position of the Target Company.

At the end of each of the Relevant Periods, the Target Company has deductible temporary differences of approximately RMB169,652,000, RMB102,128,000 and RMB168,250,000. No deferred tax asset has been recognised in respect of the deductible temporary differences of nil, nil and approximately RMB84,206,000 due to the unpredictability of future profit streams at the end of each of the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

22. PAID-IN CAPITAL

RMB'000

Registered:

As at 1 January 2022, 31 December 2022, 2023 and 2024

50,000

Paid up:

As at 1 January 2022

50,000

Shares issue

50,000

As at 31 December 2022, 2023 and 2024

50,000

23. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest- bearing bank borrowings RMB'000	Due to shareholders RMB'000	Due to related companies RMB'000
At 1 January 2022	244,600	136,230	375,815
Cash flows from financing activities	(97,683)	(49,050)	(149)
Interest expense	10,583	-	-
At 31 December 2022 and 1 January 2023	157,500	87,180	375,666
Cash flows from financing activities	(161,117)	(15,750)	200
Interest expense	3,617	-	-
At 31 December 2023 and 1 January 2024	-	71,430	375,866
Cash flows from financing activities	-	-	(118)
At 31 December 2024	-	71,430	375,748

24. COMMITMENTS

The Target Company had the following capital commitments at the end of each of the Relevant Periods:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Contracted, but not provided for:			
Property development activities	-	-	-

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

25. RELATED PARTY TRANSACTIONS

(a) Transactions with a related party

The related company controlled by a shareholder provided certain portion of office for the Target Company to use at nil consideration during the Relevant Periods.

(b) Outstanding balances with shareholders and related companies:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Due from a shareholder			
– Non-trade related	298,210	310,330	310,330
Due from related companies controlled by shareholders			
– Non-trade related	–	400	1,176

As at 31 December 2022, 2023 and 2024, the Target Company performs impairment assessment under expected credit loss (“ECL”) model on due from a shareholder and related companies, which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at the end of each of the Relevant Periods to reflect changes in credit risk since initial recognition. No impairment provision has been made as at 31 December 2022, 2023 and 2024.

	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Due to shareholders			
– Non-trade related	87,180	71,430	71,430
Due to related companies controlled by Shareholders			
– Non-trade related	375,666	375,866	375,748

The balances due from (to) shareholders and related companies are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Target Company:

	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	–	–	–
Pension scheme contributions and social welfare	–	–	–
Total compensation paid to key management personal	–	–	–

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Financial assets included in prepayments, other receivables and other assets	26,152	47,696	51,620
Due from shareholder	298,210	310,330	310,330
Due from related companies	-	400	1,176
Cash and bank balances	429,096	183,731	104,997
	<u>753,458</u>	<u>542,157</u>	<u>468,123</u>
Financial assets at amortised cost	<u>753,458</u>	<u>542,157</u>	<u>468,123</u>

Financial liabilities

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Trade payables	9,679	26,773	278,978
Financial liabilities included in other payables and accruals	14,660	21,060	24,115
Interest-bearing bank borrowings	157,500	-	-
Due to shareholders	87,180	71,430	71,430
Due to related companies	375,666	375,866	375,748
	<u>644,685</u>	<u>495,129</u>	<u>750,271</u>
Financial liabilities at amortised cost	<u>644,685</u>	<u>495,129</u>	<u>750,271</u>

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, due from (to) shareholders and related companies, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amounts with shareholders and related companies and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as bank balances, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarized below.

(a) Interest rate risk

The Target Company was exposed to fair value interest rate risk in relation to interest-free deposit and fixed rate interest-bearing bank borrowings.

The Target Company's exposure to cash flow interest rate risk in relation to bank balances is minimal as these balances have a short maturity period.

The Target Company manages its interest rate exposures by assessing the potential impact arising from any interest rates movement based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

(b) Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Company's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Financial assets included in prepayments, other receivables and other assets*	26,152	47,696	51,620
Due from a shareholder*	298,210	310,330	310,330
Due from related companies*	-	400	1,176
Cash and bank balances	429,096	183,731	104,997
Financial assets subject to the 12-month ECLs	753,458	542,157	468,123

* The credit quality of the financial assets is considered to be "normal" when they are not past due, there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

(c) Liquidity risk

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowing and amounts due to shareholders and related companies. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Target Company's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Total RMB'000
31 December 2022				
Trade payables	9,679	-	-	9,679
Financial liabilities included in other payables and accruals	14,660	-	-	14,660
Interest-bearing bank borrowing	-	83,100	81,634	164,734
Due to shareholders	87,180	-	-	87,180
Due to related companies	375,666	-	-	375,666
Total	487,185	83,100	81,634	651,919

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Total RMB'000
31 December 2023				
Trade payables	26,773	-	-	26,773
Financial liabilities included in other payables and accruals	21,060	-	-	21,060
Due to shareholders	71,430	-	-	71,430
Due to related companies	375,866	-	-	375,866
Total	495,129	-	-	495,129

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Total RMB'000
31 December 2024				
Trade payables	278,978	-	-	278,978
Financial liabilities included in other payables and accruals	24,115	-	-	24,115
Due to shareholders	71,430	-	-	71,430
Due to related companies	375,748	-	-	375,748
Total	750,271	-	-	750,271

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company may adjust the return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Company monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes, trade payables, other payables and accruals, interest-bearing bank borrowings and amounts due to shareholders and related companies less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade payables	9,679	26,773	278,978
Other payables and accruals	14,660	21,060	24,115
Interest-bearing bank borrowings	157,500	—	—
Due to shareholders	87,180	71,430	71,430
Due to related companies	375,666	375,866	375,748
Less: Cash and cash equivalents	(429,096)	(183,731)	(104,997)
Net debt	215,589	311,398	645,274
Equity attributable to owners	23,048	140,543	70,248
Capital and net debt	238,637	451,941	715,522
Gearing ratio	90%	69%	90%

29. RETIREMENT BENEFIT SCHEMES

The employees of the Target Company's entities established in the PRC are members of a central pension scheme operated by the local municipal government. These entities are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these entities. The only obligation of these entities with respect to the central pension scheme is to meet the required contributions under the scheme.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

30. CONTINGENT LIABILITIES

The Target Company provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Target Company's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Target Company is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, and upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Target Company's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees at initial recognition and the ECL allowance is not significant as the Directors consider that in the event of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties.

31. EVENT AFTER RELEVANT PERIOD

There was no material subsequent events undertaken by the Target Company at 31 December 2024.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2024.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Introduction

We report on the historical financial information of Jurong Jin Jia Run Real Estate Development Co., Ltd.* (句容市金嘉潤房地產開發有限公司) (the “**Target Company**”) set out on pages II-70 to II-86, which comprises the statements of financial position of the Target Company as at 31 December 2022, 2023 and 2024, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2022, 2023 and 2024 (the “**Relevant Periods**”) and a summary of material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”).

The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of Redsun Services Group Limited (the “**Company**”) dated 30 April 2025 (the “**Circular**”) in connection with the proposed acquisition of 19% equity interest of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are 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 1 to the Historical Financial Information, and for such internal control as the directors 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.

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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1 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 directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

* English name is for identification purpose only

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

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 2022, 2023 and 2024 and of the Target Company's financial performance and cash flows for each of the Relevant Periods in accordance with the basis of preparation set out in note 1 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of 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-69 have been made.


Dividends

We refer to note 10 to the Historical Financial Information which states that no dividend has been paid or declared by the Target Company in respect of the Relevant Periods.

No historical financial statements for the Target Company

No historical financial statements have been prepared for the Target Company since its date of incorporation.

CCTH CPA



CCTH CPA LIMITED
Certified Public Accountants
Shek Man Hei Kimmy

Practising Certificate Number: P07274

Hong Kong
30 April 2025

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of 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 International Financial Reporting Standards ("**IFRS Accounting Standards**") issued by International Accounting Standards Board (the "**IASB**") and were audited by CCTH CPA LIMITED in accordance with Hong Kong Standards on Auditing (the "**HKSAs**") issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	<u>Years ended 31 December</u>		
		<u>2022</u>	<u>2023</u>	<u>2024</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	<u>5</u>	<u>┆ ┆</u>	<u>┆ ┆</u>	<u>┆ ┆</u>
Administrative expenses		<u>(70)</u>	<u>(1)</u>	<u>(1)</u>
LOSS BEFORE TAX	<u>6</u>	<u>(70)</u>	<u>(1)</u>	<u>(1)</u>
Income tax expense	<u>9</u>	<u>┆ ┆</u>	<u>┆ ┆</u>	<u>┆ ┆</u>
LOSS AND OTHER COMPREHENSIVE				
LOSS FOR THE YEAR		<u>(70)</u>	<u>(1)</u>	<u>(1)</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	<u>As at 31 December</u>		
		<u>2022</u>	<u>2023</u>	<u>2024</u>
		<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<u>CURRENT ASSETS</u>				
Properties under development	<u>11</u>	<u>204,000</u>	<u>204,000</u>	<u>204,000</u>
Other receivables	<u>12</u>	<u>1,491</u>	<u>1,491</u>	<u>1,491</u>
Cash and bank balances	<u>13</u>	<u>35</u>	<u>34</u>	<u>33</u>
Total current assets		<u>205,526</u>	<u>205,525</u>	<u>205,524</u>
<u>CURRENT LIABILITIES</u>				
Other payables and accruals	<u>14</u>	<u>1,334</u>	<u>1,334</u>	<u>1,334</u>
Due to shareholders	<u>16(b)</u>	<u>204,793</u>	<u>204,793</u>	<u>204,793</u>
Due to related companies	<u>16(b)</u>	<u>104,926</u>	<u>104,926</u>	<u>104,926</u>
Total current liabilities		<u>311,053</u>	<u>311,053</u>	<u>311,053</u>
<u>NET CURRENT LIABILITIES</u>		<u>(105,527)</u>	<u>(105,528)</u>	<u>(105,529)</u>
<u>NET LIABILITIES</u>		<u>(105,527)</u>	<u>(105,528)</u>	<u>(105,529)</u>
<u>EQUITY</u>				
Paid-in capital	<u>15</u>	<u>—</u>	<u>—</u>	<u>—</u>
Accumulated losses		<u>(105,527)</u>	<u>(105,528)</u>	<u>(105,529)</u>
		<u>(105,527)</u>	<u>(105,528)</u>	<u>(105,529)</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

STATEMENTS OF CHANGES IN EQUITY

	<u>Paid-in capital</u>	<u>Accumulated</u> <u>losses</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<u>At 1 January 2022</u>	<u>—</u>	<u>(105,457)</u>	<u>(105,457)</u>
<u>Total comprehensive loss for the year</u>	<u>—</u>	<u>(70)</u>	<u>(70)</u>
<u>At 31 December 2022 and 1 January 2023</u>	<u>—</u>	<u>(105,527)</u>	<u>(105,527)</u>
<u>Total comprehensive loss for the year</u>	<u>—</u>	<u>(1)</u>	<u>(1)</u>
<u>At 31 December 2023 and 1 January 2024</u>	<u>—</u>	<u>(105,528)</u>	<u>(105,528)</u>
<u>Total comprehensive loss for the year</u>	<u>—</u>	<u>(1)</u>	<u>(1)</u>
<u>At 31 December 2024</u>	<u>—</u>	<u>(105,529)</u>	<u>(105,529)</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

STATEMENTS OF CASH FLOWS

	Years ended 31 December		
	2022	2023	2024
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	<u>(70)</u>	<u>(1)</u>	<u>(1)</u>
Decrease in other receivables	<u>101</u>	<u>-</u>	<u>-</u>
Net cash flows from (used in) operating activities	<u>31</u>	<u>(1)</u>	<u>(1)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>31</u>	<u>(1)</u>	<u>(1)</u>
Cash and cash equivalents at beginning of year	<u>4</u>	<u>35</u>	<u>34</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>35</u>	<u>34</u>	<u>33</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Jurong Jin Jia Run Real Estate Development Co., Ltd. is a limited liability company incorporated in the People's Republic of China (the "PRC") in 2018. In the opinion of the directors of the Target Company (the "Directors"), there was no immediate holding company and ultimate holding company of the Target Company. The address of its registered office and principal place of business is 句容市開發區甯杭北路118號正陽汽配商城S-2幢. The Target Company is principally engaged in property development in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Target Company.

Statutory financial statements of Target Company for each of the three years ended 31 December 2024 have not been audited.

Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards which comprise all IFRS Accounting Standards International Accounting Standards ("IASs") and Interpretations issued by the IASB. All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods. 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 convention.

Going concern

As at 31 December 2024, the Target Company had net current liabilities and net liabilities of approximately RMB105,529,000. The Historical Financial Information have been prepared on a going concern basis, as subsequent to the end of the reporting period, the shareholders and related companies have agreed not to demand for any repayment of amounts due to shareholders and related companies of approximately RMB204,767,000 and RMB102,209,000, respectively as at 31 December 2024, for at least the next twelve months until the Target Company is in a financial position to do so.

The Directors consider that the Target Company will have sufficient working capital to finance its operations in the foreseeable future and accordingly are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

2. NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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

IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²

¹ Effective for annual period beginning on or after 1 January 2025.

² Effective for annual period beginning on or after 1 January 2026.

³ Effective for annual period beginning on or after 1 January 2027.

⁴ Effective for annual periods beginning on or after a date to be determined.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in further financial statements. The Directors are in the process of assessing the detailed impact of IFRS 18 on the Target Company's financial statements.

The Directors anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the Historical Financial Information of the Target Company in the foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

The material accounting policies are set out below.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

- (a) the party is a person or a close member of that person's family and 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 of a parent of the Target Company;

or

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Target Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Target Company 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); and
 - (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 parent of the Target Company.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Financial assets

Initial recognition and measurement

Financial assets are recognised in the statement of financial position when an entity becomes a party to the contractual provisions of the instrument.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. The Target Company initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statements of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Target Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of payables and accruals, net of directly attributable transaction costs.

The Target Company's financial liabilities include other payables and accruals, and amounts due to shareholders and related companies.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (other payables and accruals)

After initial recognition, other payables and accruals are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Target Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statements of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Target Company's Historical Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for properties under development

The Target Company's properties under development are stated at the lower of cost and net realisable value. Based on the Target Company's historical experience and the nature of the subject properties, the Target Company makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties, based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

5. REVENUE

During the Relevant Periods, the Target Company did not generate revenue.

6. LOSS BEFORE TAX

The Target Company's loss before tax during the Relevant Periods is arrived at after charging:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Auditor's remuneration	<u> </u>	<u> </u>	<u> </u>

7. DIRECTORS' REMUNERATION

The directors and supervisors of the Target Company did not receive any fee or other emoluments in respect of their service provided to the Target Company during the Relevant Periods.

8. FIVE HIGHEST PAID EMPLOYEES

During the Relevant Periods, the Target Company did not have the employees and incur the staff costs to the five highest paid employees.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

9. INCOME TAX EXPENSE

Corporate Income Tax (the "CIT") is provided on assessable profits of entities incorporated in the PRC at the rate of 25% during the Relevant Periods.

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current tax:			
CIT	—	—	—
Deferred tax credit (note 15)	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

A reconciliation of income tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Target Company is domiciled to the income tax expense at the effective income tax rate is as follows:

	Years ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Loss before tax	(70)	(1)	(1)
At the statutory income tax rate	(18)	(—)*	(—)*
Tax effect of tax loss not recognised	18	—*	—*
Tax expense	<u>—</u>	<u>—</u>	<u>—</u>

* less than RMB1,000

At the end of each of the Relevant Periods, the Target Company has unused tax losses expired in the next five years of approximately RMB1,532,000, RMB1,533,000 and RMB1,534,000 available for offset against future profits and deductible temporary differences of approximately RMB103,995,000, RMB103,995,000 and RMB103,995,000. No deferred tax asset has been recognised in respect of the unused tax losses and deductible temporary differences due to the unpredictability of future profit streams.

10. DIVIDEND

No dividend has been paid or declared by the Target Company during the Relevant Periods.

11. PROPERTIES UNDER DEVELOPMENT

	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At cost:			
Carrying amount at 1 January and 31 December	<u>204,000</u>	<u>204,000</u>	<u>204,000</u>
Properties under development expected to be completed within normal operating cycle:			
– After one year	<u>204,000</u>	<u>204,000</u>	<u>204,000</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

The movements in provision for impairment of properties under development are as follows:

	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at 1 January and 31 December	103,995	103,995	103,995

The Target Company's properties under development are situated on leasehold land in Mainland China.

The value of properties under development is assessed at the end of each of the Relevant Periods. An impairment exists when the carrying value exceeds their net realisable value.

12. OTHER RECEIVABLES

	As at 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Other tax recoverable	968	968	968
Other deposits	523	523	523
Total	1,491	1,491	1,491

13. CASH AND BANK BALANCES

	As at 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Cash and bank balances	35	34	33

At the end of each of the Relevant Periods, the cash and bank balances are dominated in RMB.

The RMB is not freely convertible into other currencies, however, under Mainland China Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Target Company, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At the end of each of the Relevant Periods, the internal credit ratings of cash and cash equivalents were performing. The Target Company has assessed that the credit risk of the restricted cash and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

14. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other deposits	1,270	1,270	1,270
Others	64	64	64
Total	1,334	1,334	1,334

15. PAID-IN CAPITAL

RMB'000

Registered:

As at 1 January 2022, 31 December 2022, 2023 and 2024

110,000

Paid up:

As at 1 January 2022, 31 December 2022, 2023 and 2024

-

During the Relevant Periods, the shareholders of the Target Company did not make capital injection.

16. RELATED PARTY TRANSACTIONS

(a) Transactions with a related party

The related company controlled by a shareholder provided certain portion of office for the Target Company to use at nil consideration during the Relevant Periods.

(b) Outstanding balances with shareholders and related companies controlled by shareholders:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Due to shareholders			
– Non-trade related	204,793	204,793	204,793
Due to related companies controlled by shareholders			
– Non-trade related	104,926	104,926	104,926

The balances are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Target Company:

During the Relevant Periods, the Target Company did not made compensation to the key management personnel of the Target Company.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

17. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets included in other receivables	523	523	523
Cash and bank balances	35	34	33
Financial assets at amortised cost	558	557	556

Financial liabilities

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	1,334	1,334	1,334
Due to shareholders	204,793	204,793	204,793
Due to related companies	104,926	104,926	104,926
Financial liabilities at amortised cost	311,053	311,053	311,053

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair value of cash and bank balances, financial assets included in other receivables, financial liabilities included in other payables and accruals and due to shareholders and related companies approximate to their carrying amounts largely due to the short-term maturities of these instruments.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise amounts with shareholders and related companies. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as bank balances, other receivables and other payables and accruals which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Target Company manages its interest rate exposures by assessing the potential impact arising from any interest rates movement based on interest rate level and outlook. As at 31 December 2022, 2023 and 2024, the Target Company was exposed to fair value interest rate risk in relation to interest-free deposit. The Target Company's exposure to cash flow interest rate risk in relation to bank balance is minimal as these balance have a short maturity period.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

(b) Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Company's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

	2022 RMB '000	2023 RMB '000	2024 RMB '000
Financial assets included in other			
receivables*	523	523	523
Cash and bank balances	35	34	33
Financial assets subject to the 12-month			
ECLs	558	557	556

* The credit quality of the financial assets is considered to be "normal" when they are not past due, there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

(c) Liquidity risk

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of other payables and accruals, amounts due to shareholders and related companies. Cash flows are being closely monitored on an ongoing basis.

The Target Company is exposed to liquidity risk as at 31 December 2024 as the Company had net current liabilities and capital deficiency of approximately RMB105,529,000. As detailed in Note 1, the Directors are of the opinion that the Target Company will be able to finance its future working capital and to fulfill its financial obligation when they fall due.

The Target Company's contractual maturity for all its non-derivative financial liabilities and the undiscounted cash flows of financial liabilities are within one year or on demand as at the end of each of the Relevant Periods.

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company may adjust the return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANIES

The Target Company monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes, other payables and accruals and amounts due to shareholders and related companies less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other payables and accruals	1,334	1,334	1,334
Due to shareholders	204,793	204,793	204,793
Due to related companies	104,926	104,926	104,926
Less: Cash and cash equivalents	(35)	(34)	(33)
Net debt	311,018	311,019	311,020
Equity attributable to owners	(105,527)	(105,528)	(105,529)
Capital and net debt	205,491	205,491	205,491
Gearing ratio	151.4%	151.4%	151.4%

20. EVENT AFTER RELEVANT PERIODS

There was no material subsequent events undertaken by the Target Company at 31 December 2024.

21. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2024.