

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF FORTUNE RADIANT CITY LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF MILLION CITIES HOLDINGS LIMITED

INTRODUCTION

We report on the historical financial information of Fortune Radiant City Limited (the “**Target Company**”) and its subsidiaries (together the “**Target Group**”) set out on pages II-4 to II-42, which comprises the consolidated statements of financial position as at December 31, 2022, 2023 and 2024 and June 30, 2025, and the statements of financial position of the Target Company as of December 31, 2022, 2023 and 2024 and June 30, 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended December 31, 2022, 2023 and 2024 and six months ended June 30, 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-4 to II-42 forms an integral part of this report, which has been prepared for inclusion in the circular of the Million Cities Holdings Limited (the “**Company**”) dated October 24, 2025 (the “**Circular**”) in connection with the proposed acquisition of the Target Group and the proposed disposal of Fortune Brilliant City Limited and its subsidiaries (“**the Acquisition and the Disposal**”) by the Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of 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 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's consolidated financial position as of December 31, 2022, 2023 and 2024 and June 30, 2025, the Target Company's financial position as of December 31, 2022, 2023 and 2024 and June 30, 2025, and of the Target Group's consolidated financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2024 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is



to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

A handwritten signature in black ink, appearing to read 'BDO CA'.

BDO Limited

Certified Public Accountants

CHAU, Ho Kit

Practising Certificate no. P08363

Hong Kong

October 24, 2025

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Target Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with HKFRS Accounting Standards (include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended December 31,			Six months ended June 30,	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(Unaudited)	
REVENUE	7	36,683	37,580	39,259	19,046	17,111
Cost of sales		<u>(12,252)</u>	<u>(11,755)</u>	<u>(12,303)</u>	<u>(5,650)</u>	<u>(6,334)</u>
Gross profit		24,431	25,825	26,956	13,396	10,777
Other income and gains/ (losses), net	8	24,342	(7,522)	52,239	14,161	(410)
Selling expenses		—	(312)	(1,390)	(772)	(724)
Administrative expenses		(5,075)	(5,915)	(5,932)	(3,019)	(2,702)
Finance costs	9	<u>(12,093)</u>	<u>(27,214)</u>	<u>(33,929)</u>	<u>(16,862)</u>	<u>(14,326)</u>
PROFIT/(LOSS) BEFORE TAX	10	31,605	(15,138)	37,944	6,904	(7,385)
Income tax (expense)/credit	11	<u>(5,975)</u>	<u>2,045</u>	<u>(12,981)</u>	<u>(3,487)</u>	<u>132</u>
PROFIT/(LOSS) FOR THE YEAR/PERIOD		25,630	(13,093)	24,963	3,417	(7,253)
OTHER COMPREHENSIVE (EXPENSE)/INCOME						
Item that may be subsequently reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		<u>(12,524)</u>	<u>(3,533)</u>	<u>(4,342)</u>	<u>(391)</u>	<u>3,950</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD		<u>13,106</u>	<u>(16,626)</u>	<u>20,621</u>	<u>3,026</u>	<u>(3,303)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of December 31,			As of
		2022	2023	2024	June 30,
	Notes	RMB'000	RMB'000	RMB'000	2025
					RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	15	311	230	444	337
Investment properties	16	<u>1,278,000</u>	<u>1,356,000</u>	<u>1,452,000</u>	<u>1,452,000</u>
Total non-current assets		<u>1,278,311</u>	<u>1,356,230</u>	<u>1,452,444</u>	<u>1,452,337</u>
Current assets					
Trade receivables	17	80	247	1,360	1,758
Prepayments, deposits and other receivables	18	16,270	16,215	11,052	9,386
Amounts due from related parties	22	2,200	1,396	1,078	967
Restricted bank deposits	21	8,329	16,899	18,042	10,664
Cash and cash equivalents	21	<u>14,512</u>	<u>23,207</u>	<u>20,541</u>	<u>30,195</u>
Total current assets		<u>41,391</u>	<u>57,964</u>	<u>52,073</u>	<u>52,970</u>
Current liabilities					
Trade payables	19	1,575	228	139	231
Other payables and accruals	20	8,534	8,461	16,993	14,053
Amounts due to related parties	22	196,300	239,743	240,259	264,427
Borrowings	23	<u>11,175</u>	<u>442,816</u>	<u>490,808</u>	<u>473,707</u>
Total current liabilities		<u>217,584</u>	<u>691,248</u>	<u>748,199</u>	<u>752,418</u>
Net current liabilities		<u>(176,193)</u>	<u>(633,284)</u>	<u>(696,126)</u>	<u>(699,448)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,102,118</u>	<u>722,946</u>	<u>756,318</u>	<u>752,889</u>
Non-current liabilities					
Borrowings	23	360,731	230	—	—
Deferred tax liability	24	<u>188,715</u>	<u>186,670</u>	<u>199,651</u>	<u>199,519</u>
Total non-current liabilities		<u>549,446</u>	<u>186,900</u>	<u>199,651</u>	<u>199,519</u>
NET ASSETS		<u>552,672</u>	<u>536,046</u>	<u>556,667</u>	<u>553,370</u>
EQUITY					
Share capital	25	1	1	1	7
Reserves	26	<u>552,671</u>	<u>536,045</u>	<u>556,666</u>	<u>553,363</u>
TOTAL EQUITY		<u>552,672</u>	<u>536,046</u>	<u>556,667</u>	<u>553,370</u>

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		As of December, 31			As of
		2022	2023	2024	June 30,
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS AND LIABILITIES					
Non-current asset					
Investments in subsidiaries		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total non-current asset		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Current asset					
Amount due from the shareholder		<u>1</u>	<u>1</u>	<u>1</u>	<u>7</u>
Total current asset		<u>1</u>	<u>1</u>	<u>1</u>	<u>7</u>
Current liability					
Other payables		<u>28</u>	<u>37</u>	<u>49</u>	<u>55</u>
Total current liability		<u>28</u>	<u>37</u>	<u>49</u>	<u>55</u>
Net current liabilities		<u>(27)</u>	<u>(36)</u>	<u>(48)</u>	<u>(48)</u>
Net liabilities		<u>(27)</u>	<u>(36)</u>	<u>(48)</u>	<u>(48)</u>
EQUITY					
Share capital	25	1	1	1	7
Reserves	26	<u>(28)</u>	<u>(37)</u>	<u>(49)</u>	<u>(55)</u>
TOTAL EQUITY		<u>(27)</u>	<u>(36)</u>	<u>(48)</u>	<u>(48)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i> <i>(Note 25)</i>	Translation reserve* <i>RMB'000</i> <i>(Note 26(a))</i>	Retained earnings* <i>RMB'000</i> <i>(Note 26(b))</i>	Total equity <i>RMB'000</i>
Balance at January 1, 2022	1	2,583	536,982	539,566
Profit for the year	—	—	25,630	25,630
Exchange differences on translation of foreign operations	—	(12,524)	—	(12,524)
Total comprehensive (expense)/income for the year	—	(12,524)	25,630	13,106
Balance at December 31, 2022 and January 1, 2023	1	(9,941)	562,612	552,672
Loss for the year	—	—	(13,093)	(13,093)
Exchange differences on translation of foreign operations	—	(3,533)	—	(3,533)
Total comprehensive expense for the year	—	(3,533)	(13,093)	(16,626)
Balance at December 31, 2023 and January 1, 2024	1	(13,474)	549,519	536,046
Profit for the year	—	—	24,963	24,963
Exchange differences on translation of foreign operations	—	(4,342)	—	(4,342)
Total comprehensive (expense)/income for the year	—	(4,342)	24,963	20,621
Balance at December 31, 2024	<u>1</u>	<u>(17,816)</u>	<u>574,482</u>	<u>556,667</u>

* These reserve accounts comprise the consolidated reserves as of December 31, 2022, 2023 and 2024 and June 30, 2025 in the consolidated statements of financial position.

	Share capital <i>RMB'000</i> <i>(Note 25)</i>	Translation reserve* <i>RMB'000</i> <i>(Note 26(a))</i>	Retained earnings* <i>RMB'000</i> <i>(Note 26(b))</i>	Total equity <i>RMB'000</i>
Balance at January 1, 2024	1	(13,474)	549,519	536,046
Profit for the period	—	—	3,417	3,417
Exchange differences on translation of foreign operations	—	(391)	—	(391)
Total comprehensive (expense)/income for the period	—	(391)	3,417	3,026
Balance at June 30, 2024 (unaudited)	<u>1</u>	<u>(13,865)</u>	<u>552,936</u>	<u>539,072</u>
Balance at January 1, 2025	1	(17,816)	574,482	556,667
Loss for the period	—	—	(7,253)	(7,253)
Exchange differences on translation of foreign operations	—	3,950	—	3,950
Total comprehensive income/ (expense) for the period	—	3,950	(7,253)	(3,303)
Issue of shares <i>(Note 25)</i>	6	—	—	6
Balance at June 30, 2025	<u>7</u>	<u>(13,866)</u>	<u>567,229</u>	<u>553,370</u>

* These reserve accounts comprise the consolidated reserves as of December 31, 2022, 2023 and 2024 and June 30, 2025 in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cash flows from operating activities					
Profit/(loss) before tax	31,605	(15,138)	37,944	6,904	(7,385)
Adjustments for:					
Depreciation of property, plant and equipment	34	81	109	42	81
Finance costs	12,093	27,214	33,929	16,862	14,326
Interest income	(441)	(659)	(314)	(211)	(120)
Loss on disposal of property, plant and equipment	—	—	—	—	46
Fair value (loss)/gain on investment properties	(23,901)	8,181	(51,925)	(13,950)	530
Operating profit before working capital changes	19,390	19,679	19,743	9,647	7,478
Decrease/(increase) in trade receivables	266	(167)	(1,113)	(392)	(398)
(Increase)/decrease in prepayments, deposits and other receivables	(2,795)	55	5,163	876	1,676
Increase/(decrease) in trade payables	772	(1,347)	7,800	57	(3,084)
Increase/(decrease) in other payables and accruals	253	(73)	643	277	236
Decrease in amounts due from related parties	276	803	318	107	111
<i>Net cash from operating activities</i>	<u>18,162</u>	<u>18,950</u>	<u>32,554</u>	<u>10,572</u>	<u>6,019</u>

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Cash flows from investing activities					
Purchase of property, plant and equipment	(341)	—	(323)	(18)	(30)
Payment for additions to investment properties	(78,099)	(86,181)	(44,075)	(22,050)	(530)
Interest received	441	659	314	211	120
Placement of restricted bank deposits	—	(8,569)	(1,143)	(793)	—
Withdrawal of restricted bank deposits	6,215	—	—	—	7,377
<i>Net cash (used in)/from investing activities</i>	<u>(71,784)</u>	<u>(94,091)</u>	<u>(45,227)</u>	<u>(22,650)</u>	<u>6,937</u>
Cash flows from financing activities					
Advance from related parties	23,655	143,322	71,326	45,713	20,884
Repayments to related parties	(133,990)	(96,634)	(67,138)	(61,798)	—
Proceeds from bank borrowings	187,587	77,377	64,823	54,671	—
Repayments of bank borrowings	(5,588)	(12,985)	(24,853)	(14,649)	(9,698)
Issue of shares	—	—	—	—	6
Interest paid	(12,093)	(27,214)	(33,929)	(16,862)	(14,326)
<i>Net cash from/(used in) financing activities</i>	<u>59,571</u>	<u>83,866</u>	<u>10,229</u>	<u>7,075</u>	<u>(3,134)</u>
Net increase/(decrease) in cash and cash equivalents	5,949	8,725	(2,444)	(5,003)	9,822
Cash and cash equivalents at the beginning of the year/period	10,414	14,512	23,207	23,207	20,541
Exchange differences on translating cash flows of foreign operations	(1,851)	(30)	(222)	(17)	(168)
Cash and cash equivalents at the end of the year/period	<u>14,512</u>	<u>23,207</u>	<u>20,541</u>	<u>18,187</u>	<u>30,195</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1.1 GENERAL INFORMATION

Fortune Radiant City Limited (the “**Target Company**”) is a limited liability company incorporated in the British Virgin Islands. The address of its registered office is OMC Chambers, Wickhams City 1, Road Town, Tortola, British Virgin Islands. The address of its principal place of business is located at Unit D, 21/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, Hong Kong.

The Target Company is an investment holding company and its subsidiaries are principally engaged in the property investment in the PRC.

Ms. Teresa Wong is the largest shareholder of the Target Company.

As at the date of this report, the Target Company has interests in following subsidiaries, and the particulars of which are set out below:

Name of subsidiaries	Date and place of incorporation/ establishment	Issued and fully paid capital/registered capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	Indirect	
Union Mark Limited (“ Union Mark ”)	May 30, 2005, Hong Kong	Issued and fully paid up capital of HKD100	100.00%	—	Investment holding
Asia Honest (H.K.) Limited	March 23, 2017, Hong Kong	Issued and fully paid up capital of HKD1	100.00%	—	Investment holding
Huizhou Lixin Technology Limited* (惠州立信科技有限公司)	March 27, 2006, the PRC	Registered capital of RMB27,000,000	—	100.00%	Property investment
Huizhou Chuangyexing Property Management Co., Ltd.* (惠州創業興物業管理有限公司)	October 23, 2019, the PRC	Registered capital of RMB500,000	—	100.00%	Properties leasing

* The English translation of terms or names in Chinese which are marked with “*” is for identification purposes only. In the event of any inconsistency, the Chinese terms or names shall prevail.

1.2 REORGANISATION

In the preparation for the proposed acquisition of the entire equity interest of the Target Company by the Company (the “**Proposed Acquisition**”), the Target Company and other companies comprising the Target Group have undergone a reorganisation (the “**Reorganisation**”) pursuant to which group companies engaged in the business have been transferred to the Target Company during the Track Record Period. The Target Company’s principal subsidiaries comprising the Target Group after the completion of the Reorganisation are set out in Note 1.1.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Historical Financial Information has been prepared based on accounting policies set out in Note 4 which confirm with HKFRS Accounting Standards, which includes, Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the “**Stock Exchange**”) and by the Hong Kong Companies Ordinance.

For the purpose of preparing and presenting the Historical Financial Information, all relevant standards, amendments and interpretations to the HKFRS Accounting Standards that are effective during the Track Record Period have been adopted by the Target Group consistently throughout the Track Record Period.

The preparation of the Historical Financial Information in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 below.

2.2 Basis of measurement and going concern assumption

The Historical Financial Information has been prepared on the historical cost basis except for certain investment properties, which are measured at fair values as explained in the material accounting policies in Note 4.

The Target Group had incurred loss of RMB7,253,000 for the six months ended June 30, 2025. As at June 30, 2025, the Target Group had recorded net current liabilities of approximately RMB699,448,000 and the Target Company had recorded net current liabilities and net liabilities of approximately RMB48,000. As at June 30, 2025, the Target Group had bank loans of RMB473,707,000, which were all classified as current liabilities, while the Target Group only maintained its cash and cash equivalents of RMB30,195,000. The Target Group and the Target Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding this, the going concern basis has been adopted after taking into account the following measures:

- (a) A related party of the Target Group has confirmed to provide continuing financial support to the Target Group and the Target Company before and after the completion of the Proposed Acquisition so as to enable the Target Group and the Target Company to meet its obligation and liabilities as and when they fall due and to continue its day-to-day business operations as a going concern; and

- (b) the Target Group is actively negotiating with the banker to restructure the payment terms for the remaining amount of the borrowing; The director of the Target Company consider that an agreement could be reached with the banker to defer the loan repayment schedule.

Should the Target Group and the Target Company be unable to continue in business as a going concern, adjustments would have to be made to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

2.3 Functional and presentation currency

The Historical Financial Information is presented in Renminbi (“RMB”). The functional currency of the Target Company is Hong Kong dollars (“HK\$”).

3. NEW OR REVISED HKFRS ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new or revised HKFRS Accounting Standards, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group.

Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature — dependent Electricity ¹
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11 ¹
HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after January 1, 2026

² Effective for annual periods beginning on or after January 1, 2027

³ No mandatory effective date yet determined but available for adoption

The directors of the Target Company do not anticipate that the adoption of the new or revised HKFRS Accounting Standards in the future periods will have any material impact on the Historical Financial Information except the following.

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 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 HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

4. MATERIAL ACCOUNTING POLICIES

4.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company (its subsidiaries) comprising the Target Group for the Track Record Period.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments are made to the financial statements of subsidiaries where necessary to ensure consistency with the policies adopted by the Target Group.

4.2 Subsidiaries

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company's statements of financial position, investments in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiary are accounted for by the Target Company on the basis of dividend received and receivable.

4.3 Segment reporting

The Target Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors of the Target Company for their decisions about resources allocation to the Target Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the directors of the Target Company are determined following the Target Group's service lines.

For the purposes of assessing segment performance and allocating resources between segments, the directors of the Target Company assess segment profit or loss by gross profit or loss as measured in HKFRS financial statements.

For the purpose of presenting geographical location of the Target Group's revenue from external customers and the Target Group's non-current assets, country of domicile is determined by reference to the country where the majority of Target Group's subsidiaries operate.

4.4 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

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

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

Contracts with customers may include multiple performance obligations. For such arrangements, the Target Group allocates revenue to each performance obligation based on its relative standalone selling price. The Target Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When the contract contains a financing component which provides the customer 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 amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Target Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment 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 HKFRS 15.

(i) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4.5 Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of reporting period. The useful lives are as follows:

Furniture, fixtures and office equipment	5 years
Motor vehicles	4 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.6 Investment properties

Investment properties (including properties under construction for such purposes) are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

4.7 Leases

Target Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

When the Target Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate leases. The sub-lease is classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases, which is the case of the Target Group.

4.8 Impairment of assets (other than financial assets)

At the end of reporting period, the Target Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment, and

- Investments in subsidiaries.

Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash generating units (“CGUs”). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in profit or loss immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, 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 or CGU.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits as well as short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

4.10 Financial instruments

(a) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Target Group’s business model for managing the asset and the cash flow characteristics of the asset. The Target Group classifies its debt instruments as at amortised cost for assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently

measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(b) Impairment loss on financial assets

The Target Group recognises loss allowances for ECL on financial assets at amortised cost. The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

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

The Target Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Group has established a provision matrix with appropriate groupings or individually assessed for credit-impaired debtors. Provision matrix are based on the Target Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

The Target Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Target Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- a breach of contract, such as a default or past due event.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

(c) Financial liabilities

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Target Group classifies all the financial liabilities as financial liabilities at amortised cost including trade payables, other payables and accruals, amounts due to related parties and borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(d) Effective interest method

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

(e) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(f) Derecognition

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

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

4.11 Foreign currency translation

Transactions entered into by the group entities in currencies other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into RMB at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Target Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4.12 Income tax

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

An exception to the general requirement in determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. The presumption is not rebutted by the Target Group.

Income taxes are recognised in profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.13 Employee benefits

(a) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Target Group participates in a central pension scheme operated by the local municipal government, whereby the Target Group is required to contribute a certain percentage of the basic salaries of its employees to the scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Target Group. The only obligation of the Target Group with respect to the scheme is to pay the ongoing required contributions under the scheme. Contributions under the scheme are charged to profit or loss as incurred. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions.

(b) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of reporting period in which the employees render the related service. Short-term employee benefits are recognized in the period when the employees render the related service.

(c) Termination benefits

Termination benefits are recognised on the earlier of when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs involving the payment of termination benefits.

4.14 Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Target Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.15 Borrowings costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Income earned on temporary investments of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.16 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to the Target Group if:

- (a) A person or a close member of that person's family is related to the Target Group if that person:
 - (i) has control or joint control over the Target Company;
 - (ii) has significant influence over the Target Company; or
 - (iii) is a member of key management personnel of the Target Company or the Target Company's parent.
- (b) An entity is related to the Target Group if any of the following conditions apply:
 - (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.
 - (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 key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 4, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months after the Track Record Period.

Fair value measurement of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuer. In determining the fair value, the valuer have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the director of the Target Company has exercised judgement and is satisfied that the valuation method, input used and the assumptions used in the valuation are reflective of the current market conditions. Changes to these input and assumptions would result in changes in the fair values of the Target Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statements of profit or loss and other comprehensive income.

Income taxes and deferred taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

6. SEGMENT INFORMATION

(a) Operating segment information

The Target Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the director of the Target Company, being chief operating decision maker, for their decisions about resources allocation to the Target Group's business components and for their review of these components' performance.

During the Track Record Period, the Target Group is principally engaged in properties leasing in the PRC. Information reported to the directors of the Target Company for the purpose of resources allocation and performance assessment focuses on the operating results of the business. Therefore, the

chief operating decision maker of the Target Company regards that there is only one operating segment which is used to make strategic decisions. No other discrete financial information is provided other than the Target Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographical information are presented.

(b) Geographical information

No geographical segment information is presented as the Target Group's revenue is all derived from the PRC based on the location of services provided and all of the Target Group's non-current assets are located in the PRC by physical location of assets.

(c) Information about major customers

Revenue from major customers, each of them accounting for 10% or more of the Target Group's revenue for the Track Record Period, is set out below:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Customer A	30,850	32,114	31,621	15,566	12,577
Customer B	<u>N/A*</u>	<u>N/A*</u>	<u>N/A*</u>	<u>N/A*</u>	<u>1,735</u>

* The corresponding revenue is not disclosed as it did not contribute over 10% of the total revenue of the Target Group during that year/period.

7. REVENUE

Target Group's revenue represents rental income from leasing of the property during the Track Record Period.

8. OTHER INCOME AND GAINS/(LOSSES), NET

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Bank interest income	441	659	314	211	120
Fair value gain/(loss) on investment properties	<u>23,901</u>	<u>(8,181)</u>	<u>51,925</u>	<u>13,950</u>	<u>(530)</u>
	<u>24,342</u>	<u>(7,522)</u>	<u>52,239</u>	<u>14,161</u>	<u>(410)</u>

9. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on bank borrowings	<u>12,093</u>	<u>27,214</u>	<u>33,929</u>	<u>16,862</u>	<u>14,326</u>

10. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting) the followings:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Auditors' remuneration	15	17	17	13	13
Depreciation of property, plant and equipment (Note 15)	34	81	109	42	81
Direct operating expenses arising from investment properties that generate rental income	12,252	11,755	12,303	5,650	6,334
Loss on disposal of property, plant and equipment	—	—	—	—	46
Short-term lease expenses	7,663	7,966	6,785	3,392	3,392
Employee costs (including directors' emoluments (Note 14)):					
— Salaries and wages	1,431	1,608	2,730	1,376	1,363
— Retirement scheme contributions	114	134	269	139	131
	<u>1,545</u>	<u>1,742</u>	<u>2,999</u>	<u>1,515</u>	<u>1,494</u>

11. INCOME TAX (EXPENSE)/CREDIT

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current year — PRC Enterprise Income Tax	—	—	—	—	—
Deferred tax (Note 24)	(5,975)	2,045	(12,981)	(3,487)	132
	<u>(5,975)</u>	<u>2,045</u>	<u>(12,981)</u>	<u>(3,487)</u>	<u>132</u>

The Target Group is subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which members of the Target Group are domiciled and operated.

No provision for Hong Kong Profits Tax is required since the Target Group has no assessable profits during the Track Record Period.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the group entities is calculated based on the statutory tax rate of 25% during the Track Record Period. No provision for PRC income tax is required since the Target Group has no assessable income during the Track Record Period.

The income tax expense/(credit) for the Track Record Period can be reconciled to the profit/(loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Profit/(loss) before tax	<u>31,605</u>	<u>(15,138)</u>	<u>37,944</u>	<u>6,904</u>	<u>(7,385)</u>
Tax calculated at applicable tax rate	7,901	(3,785)	9,486	1,726	(1,846)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	1,492	2,482	3,020	1,508	1,281
Tax effect of expenses not deductible for tax purposes	2,123	8,930	6,246	2,936	2,755
Tax effect of revenue not taxable for tax purposes	(16,622)	(4,682)	(30,998)	(9,318)	(3,368)
Tax effect of tax losses not recognised	1	11	54	10	1,310
Utilisation of tax losses previously not recognised	<u>(870)</u>	<u>(911)</u>	<u>(789)</u>	<u>(349)</u>	<u>—</u>
Income tax (expense)/credit	<u>(5,975)</u>	<u>2,045</u>	<u>(12,981)</u>	<u>(3,487)</u>	<u>132</u>

12. DIVIDENDS

The directors of the Target Company did not recommend payment of any dividends for the Track Record Period.

13. EARNINGS/(LOSSES) PER SHARE

No earnings/(losses) per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

14. DIRECTOR'S EMOLUMENTS

During the Track Record Period, the director of the Target Company did not receive any fee or other emoluments in respect of her services provided to the Target Group. In addition, no emoluments paid or payable by the Target Group were waived and no emoluments were paid by the Target Group to the director as an inducement to join or upon joining the Target Group or as a compensation for loss of office during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:			
At January 1, 2022	41	—	41
Additions	—	341	341
At December 31, 2022 and January 1, 2023	41	341	382
Additions	—	—	—
At December 31, 2023 and January 1, 2024	41	341	382
Additions	18	305	323
At December 31, 2024 and January 1, 2025	59	646	705
Additions	—	30	30
Disposals/written off	—	(170)	(170)
At June 30, 2025	59	506	565
Accumulated depreciation:			
At January 1, 2022	37	—	37
Charge for the year	—	34	34
At December 31, 2022 and January 1, 2023	37	34	71
Charge for the year	—	81	81
At December 31, 2023 and January 1, 2024	37	115	152
Charge for the year	4	105	109
At December 31, 2024 and January 1, 2025	41	220	261
Charge for the period	3	78	81
Disposals/written off	—	(114)	(114)
At June 30, 2025	44	184	228
Net carrying amount:			
At December 31, 2022	4	307	311
At December 31, 2023	4	226	230
At December 31, 2024	18	426	444
At June 30, 2025	15	322	337

16. INVESTMENT PROPERTIES

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Fair Value				
At beginning of the year/period	1,176,000	1,278,000	1,356,000	1,452,000
Addition during the year/period	78,099	86,181	44,075	530
Fair value gain/(loss)	<u>23,901</u>	<u>(8,181)</u>	<u>51,925</u>	<u>(530)</u>
At end of the year/period	<u>1,278,000</u>	<u>1,356,000</u>	<u>1,452,000</u>	<u>1,452,000</u>

The Target Group's investment properties including investment properties under construction in the PRC were currently held for capital appreciation and/or rental purposes and revalued by Vincorn Consulting and Appraisal Limited, independent professional qualified valuers, as of December 31, 2022, 2023, 2024 and June 30, 2025. The fair valuation of properties were derived from direct comparison approach and residual approach classified as Level 3. For investment properties under construction, the valuer assume they will be developed and completed in accordance with the latest development proposals provided by the management with reference to comparable sales evidence as available in the property market and has taken into account the expended construction costs and costs that will be expended to complete the development project.

As of December 31, 2024 and June 30, 2025, the Target Group's investment properties including investment properties with an aggregate value of approximately RMB1,452,000,000 was pledged to secure the banking facility of the Target Group as disclosed in Note 23.

There were no changes to the valuation techniques of level 3 fair value measurements during the Track Record Period. The fair value measurement is based on the investment properties' highest and best use, which does not differ from their actual use.

The following table shows significant unobservable inputs used by Vincorn Consulting and Appraisal Limited in its valuation models for the investment properties as of December 31, 2022, 2023, 2024 and June 30, 2025:

Type of properties	Valuation approach	Significant unobservable input	Range			As of June 30, 2025	Relationship of unobservable inputs of fair value
			As of December 31, 2022	2023	2024		
Completed properties	Direct comparison approach	Average market price (RMB/sq.m.)	3,088–4,861	3,088–4,861	3,088–4,861	3,088–4,861	The higher market price, the higher fair value.
		(Discount)/premium on characteristics of properties	(6.4)%–10%	(6.4)%–10%	(6.4)%–10%	(6.4)%–10%	The higher/lower (discount)/premium, the lower, higher fair value.
Properties under development	Direct comparison approach and residual approach	Average market price (RMB/sq.m.)	3,088–4,861	3,088–4,861	3,088–4,861	3,088–4,861	The higher market price, the higher fair value.
		Expended construction cost (RMB/sq.m.)	1,772	1,523	1,489	1,489	The higher budgeted construction cost to be incurred, the lower fair value.
		(Discount)/premium on characteristics of properties	(6.4)%–10%	(6.4)%–10%	(6.4)%–10%	(6.4)%–10%	The higher/lower (discount)/premium, the lower, higher fair value.

17. TRADE RECEIVABLES

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade receivables	<u>80</u>	<u>247</u>	<u>1,360</u>	<u>1,758</u>

An aging analysis of trade receivables, net of impairment losses, as of the end of reporting period, based on the invoice dates, is as follows:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
0–30 days	15	180	204	198
31–60 days	65	2	201	261
61–90 days	—	1	1	—
91–180 days	—	56	369	277
Over 180 days	<u>—</u>	<u>8</u>	<u>585</u>	<u>1,022</u>
	<u>80</u>	<u>247</u>	<u>1,360</u>	<u>1,758</u>

There was no specific credit term granted to the customers. The Target Group recognised impairment loss based on the accounting policy stated in Note 4.10(b). Further details on the Target Group's credit policy and credit risk analysis arising from trade receivables are set out in Note 31(b).

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Prepayments	4,391	1,093	1,593	799
Deposits and other receivables	<u>11,879</u>	<u>15,122</u>	<u>9,459</u>	<u>8,587</u>
	<u>16,270</u>	<u>16,215</u>	<u>11,052</u>	<u>9,386</u>

19. TRADE PAYABLES

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade payables	<u>1,575</u>	<u>228</u>	<u>139</u>	<u>231</u>

The ageing analysis of trade payables as at the end of each reporting period, based on invoice date, is as follows:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
0–30 days	562	90	1	93
31–60 days	77	—	—	—
61–90 days	80	—	—	—
91–180 days	231	—	—	—
Over 180 days	625	138	138	138
	<u>1,575</u>	<u>228</u>	<u>139</u>	<u>231</u>

20. OTHER PAYABLES AND ACCRUALS

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Deposits received	7,783	7,712	8,142	8,637
Other payables	475	478	492	466
Construction cost payables	—	—	7,889	4,713
Receipt in advance	—	—	15	88
Other tax payables	89	84	92	—
Accruals	187	187	363	149
	<u>8,534</u>	<u>8,461</u>	<u>16,993</u>	<u>14,053</u>

21. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

The Target Group's cash and cash equivalents comprise cash on hand and bank deposits carrying interest at floating rates based on daily bank deposit rates. The directors of the Target Company consider that the carrying value of the deposits at the end of reporting period approximates to their fair values.

As of December 31, 2022, 2023, 2024 and June 30, 2025, the Target Group's bank and cash balances of approximately RMB14,247,000, RMB23,384,000, RMB20,960,000 and RMB29,920,000, respectively, were denominated in RMB. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

As of December 31, 2022, 2023, 2024 and June 30, 2025, certain bank deposits was restricted to access the amount on demand to secure a banking facility (Note 23) granted to the Target Group.

22. RELATED PARTIES DISCLOSURES

As of December 31, 2022, 2023 and 2024 and June 30, 2025, the amounts due from/to related parties are unsecured, interest-free and repayable on demand.

During the Track Record Period, the Target Group entered into the following transactions with related parties:

Related party relationship	Type of transactions	Year ended December 31,			Six months ended June 30,	
		2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (Unaudited)	2025 RMB'000
Companies in which an immediate family member of the director has interest	Rental income	1,555	1,090	911	442	369
	Rental expenses	(7,663)	(6,785)	(6,785)	(3,392)	(3,392)

23. BORROWINGS

	As of December 31,			As of June 30,
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Secured bank loan (<i>note</i>)	371,906	443,046	490,808	473,707
Less: Amount due within one year shown under current liabilities:	<u>(11,175)</u>	<u>(442,816)</u>	<u>(490,808)</u>	<u>(473,707)</u>
Amount shown under non-current liabilities	<u>360,731</u>	<u>230</u>	<u>—</u>	<u>—</u>

Notes:

On June 28 2021, Union Mark, a direct subsidiary of the Target Company, entered into a facility agreement with United Overseas Bank Limited (“UOB”) pursuant to which Union Mark obtained a loan of a maximum amount of RMB550,000,000 for a term of 3 years, bearing interest at 2.50% per annum over the HIBOR, with repayment schedule from 2022 to 2024. During the year 2024, Union Mark entered into an agreement with UOB pursuant to which the parties agreed to extend the maturity date of the loan to December 30, 2025.

As of December 31, 2022, 2023, 2024 and June 30, 2025, the final drawdown amount of this loan was amounted to RMB371,906,000, RMB443,046,000, RMB490,808,000 and RMB473,707,000, respectively.

As of December 31, 2022 and 2023, the loan is secured by: (i) corporate guarantees provided by a related company; (ii) share security deed executed by the shareholders of a related company; (iii) debenture incorporating floating charges over all present and future assets of a related company and (iv) pledged bank deposits approximately RMB8,329,000 and RMB16,899,000, respectively.

As of December 31, 2024 and June 30, 2025, the loan is secured by: (i) corporate guarantees provided by a related company; (ii) share security deed executed by the shareholders of a related company; (iii) and debenture incorporating floating charges over all present and future assets of a related company; (iv) pledged bank deposits approximately RMB18,042,000 and RMB10,664,000, respectively; and (v) investment properties of the Target Group (Note 16).

The entire secured bank loan is subjected to covenants including financial performance and net asset requirements which to be complied semi-annually in June and December of each year. The Target Group has complied with all covenants during the Track Record Period.

24. DEFERRED TAX LIABILITY

Deferred tax liability recognised and movements during the Track Record Period are as follows:

	Fair value change on investment properties RMB'000
At January 1, 2022	182,740
Charged to profit or loss	<u>5,975</u>
At December 31, 2022 and January 1, 2023	188,715
Credited to profit or loss	<u>(2,045)</u>
At December 31, 2023 and January 1, 2024	186,670
Charged to profit or loss	<u>12,981</u>
At December 31, 2024 and January 1, 2025	199,651
Credited to profit or loss	<u>(132)</u>
At June 30, 2025	<u><u>199,519</u></u>

No deferred tax assets have been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

As of December 31, 2022, 2023, 2024 and June 30, 2025, the Group has not recognised deferred tax assets in respect of the estimated tax losses of approximately RMB14,953,000, RMB10,340,000, RMB4,386,000 and RMB5,439,000, respectively, due to the unpredictability of future taxable profits against the unused tax losses that can be utilised in the relevant tax jurisdictions. All of the unused tax losses can be carried forward indefinitely under the tax regulations, except for those arising from the PRC subsidiaries of approximately RMB14,916,000, RMB10,298,000, RMB4,337,000 and RMB5,387,000, respectively, which can be carried forward only for five years from the recognition date of unused tax losses.

25. SHARE CAPITAL

	Number of shares
<i>Authorised</i>	
Ordinary shares of US\$1.00 each	
At January 1, 2022, December 31, 2022, January 1, 2023, December 31, 2023, January 1, 2024, December 31, 2024, January 1, 2025 and June 30, 2025	<u><u>50,000</u></u>

	Number of shares in issue	Share capital RMB'000
<i>Issued and fully paid</i>		
Ordinary share of US\$1.00 each		
At January 1, 2022, December 31, 2022, January 1, 2023, December 31, 2023, January 1, 2024, December 31, 2024 and January 1, 2025	100	1
Issuance of shares	<u>900</u>	<u>6</u>
At June 30, 2025	<u><u>1,000</u></u>	<u><u>7</u></u>

Note:

On June 23, 2025, 900 ordinary shares were allotted and issued to the shareholder of the Target Company.

26. RESERVES

(a) Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of group entities whose the functional currencies are not RMB.

(b) Retained earnings

Cumulative net gains and losses recognised in profit or loss.

27. NOTES SUPPORTING TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The table below shows the details changes in the Target Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which each cash flows were, or future cash flows will be, classified in the Target Group's consolidated statements of cash flows from financing activities.

	Amounts due to related parties (Note 22) RMB'000	Borrowings (Note 23) RMB'000	Total RMB'000
At January 1, 2022	311,626	174,243	485,869
Changes from financing cash flows:			
Proceeds from bank borrowings	—	187,587	187,587
Repayments of bank borrowings	—	(5,588)	(5,588)
Advance from related parties	23,655	—	23,655
Repayments to related parties	(133,990)	—	(133,990)
Interest paid	<u>—</u>	<u>(12,093)</u>	<u>(12,093)</u>
Total changes from financing cash flows	(110,335)	169,906	59,571
Other changes:			
Interest expenses	—	12,093	12,093
Exchange realignment	<u>(4,991)</u>	<u>15,664</u>	<u>10,673</u>
Total other changes	<u>(4,991)</u>	<u>27,757</u>	<u>22,766</u>
At December 31, 2022	<u><u>196,300</u></u>	<u><u>371,906</u></u>	<u><u>568,206</u></u>

	Amounts due to related parties (Note 22) RMB'000	Borrowings (Note 23) RMB'000	Total RMB'000
At January 1, 2023	196,300	371,906	568,206
Changes from financing cash flows:			
Proceeds from bank borrowings	—	77,377	77,377
Repayments of bank borrowings	—	(12,985)	(12,985)
Repayments to related parties	(96,634)	—	(96,634)
Advance from related parties	143,322	—	143,322
Interest paid	—	(27,214)	(27,214)
Total changes from financing cash flows	46,688	37,178	83,866
Other changes:			
Interest expenses	—	27,214	27,214
Exchange realignment	(3,245)	6,748	3,503
Total other changes	(3,245)	33,962	30,717
At December 31, 2023	<u>239,743</u>	<u>443,046</u>	<u>682,789</u>
	Amounts due to related parties (Note 22) RMB'000	Borrowings (Note 23) RMB'000	Total RMB'000
At January 1, 2024	239,743	443,046	682,789
Changes from financing cash flows:			
Proceeds from bank borrowings	—	64,823	64,823
Repayments of bank borrowings	—	(24,853)	(24,853)
Repayments to related parties	(67,138)	—	(67,138)
Advance from related parties	71,326	—	71,326
Interest paid	—	(33,929)	(33,929)
Total changes from financing cash flows	4,188	6,041	10,229
Other changes:			
Interest expenses	—	33,929	33,929
Exchange realignment	(3,672)	7,792	4,120
Total other changes	(3,672)	41,721	38,049
At December 31, 2024	<u>240,259</u>	<u>490,808</u>	<u>731,067</u>

	Amounts due to related parties (Note 22) RMB'000	Borrowings (Note 23) RMB'000	Total RMB'000
At January 1, 2024	239,743	443,046	682,789
Changes from financing cash flows:			
Proceeds from bank borrowings	—	54,671	54,671
Repayments of bank borrowings	—	(14,649)	(14,649)
Advance from related parties	45,713	—	45,713
Repayments to related parties	(61,798)	—	(61,798)
Interest paid	—	(16,862)	(16,862)
Total changes from financing cash flows	(16,085)	23,160	7,075
Other changes:			
Interest expenses	—	16,862	16,862
Exchange realignment	(332)	704	372
Total other changes	(332)	17,566	17,234
At June 30, 2024 (unaudited)	<u>223,326</u>	<u>483,772</u>	<u>707,098</u>
	Amounts due to related parties (Note 22) RMB'000	Borrowings (Note 23) RMB'000	Total RMB'000
At January 1, 2025	240,259	490,808	731,067
Changes from financing cash flows:			
Repayments of bank borrowings	—	(9,698)	(9,698)
Advance from related parties	20,884	—	20,884
Interest paid	—	(14,326)	(14,326)
Total changes from financing cash flows	20,884	(24,024)	(3,140)
Other changes:			
Interest expenses	—	14,326	14,326
Exchange realignment	3,284	(7,403)	(4,119)
Total other changes	3,284	6,923	10,207
At June 30, 2025	<u>264,427</u>	<u>473,707</u>	<u>738,134</u>

28. COMMITMENTS

(a) Lease commitments

Operating lease commitments — where the Target Group is the lessor

As of December 31, 2022, 2023 and 2024 and June 30, 2025, the Target Group had contracted with tenants for the following minimum lease receivables:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Not later than 1 year	37,522	37,235	31,605	43,961
Later than 1 year and not later than 2 years	36,753	30,722	28,898	31,308
Later than 2 years and not later than 3 years	30,080	28,286	26,231	28,597
Later than 3 years and not later than 4 years	27,461	25,718	26,932	27,052
Later than 4 years and not later than 5 years	25,252	26,600	25,957	26,417
Over 5 years	<u>226,251</u>	<u>200,534</u>	<u>174,744</u>	<u>143,997</u>
	<u>383,319</u>	<u>349,095</u>	<u>314,367</u>	<u>301,332</u>

Operating lease receivables represent future aggregate minimum lease receipts by the Target Group from non-cancellable operating leases of its investment properties.

(b) Capital commitments

As of December 31, 2022, 2023 and 2024 and June 30, 2025, the Target Group had outstanding capital commitments as follows:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Contracted, but not provided for:				
— Investment properties under construction	<u>75,232</u>	<u>117,910</u>	<u>88,369</u>	<u>86,549</u>

29. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Target Group manages its capital to ensure that the entities in the Target Group will be able to continue as a going concern while maximizing the return to shareholder through the optimization of the debt and equity balance.

The capital structure of the Target Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Target Company, comprising issued share capital, reserves and retained earnings, respectively.

The director of the Target Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Target Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy back as well as the issue of new debts or redemption of existing debt, if necessary.

Management regards total equity as capital. The amount of capital as of December 31, 2022, 2023 and 2024 and June 30, 2025 amounted to approximately RMB552,672,000, RMB536,046,000, RMB556,667,000 and RMB553,370,000, respectively, which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities of the Target Group:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Financial assets				
<i>Financial assets at amortised cost:</i>				
Trade receivables	80	247	1,360	1,758
Deposits and other receivables	7	10	17	3
Amounts due from related parties	2,200	1,396	1,078	967
Restricted bank deposits	8,329	16,899	18,042	10,664
Cash and cash equivalents	14,512	23,207	20,541	30,195
	<u>25,128</u>	<u>41,759</u>	<u>41,038</u>	<u>43,587</u>
Financial liabilities				
<i>Financial liabilities measured at amortised cost:</i>				
Trade payables	1,575	228	139	231
Other payables and accruals	8,445	8,377	16,886	13,965
Amounts due to related parties	196,300	239,743	240,259	264,427
Borrowings	371,906	443,046	490,808	473,707
	<u>578,226</u>	<u>691,394</u>	<u>748,092</u>	<u>752,330</u>

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Target Group's financial instruments in the normal course of the Target Group's business are interest rate risk, credit risk, liquidity risk and foreign currency risk. These risks are limited by the Target Group's financial management policies and practices described below. Generally, the Target Group introduces conservative strategies on its risk management. The Target Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group's interest rate risk arises primarily from borrowings from banks. Borrowings issued at variable rates expose the Target Group to cash flow interest rate risk.

As of December 31, 2022, 2023, 2024 and June 30, 2025, if interest rates on borrowings had been 50 basis points higher with all other variables held constant, post-tax profit/(loss) for the year/period would have been approximately RMB1,553,000, RMB1,850,000, RMB2,049,000 and RMB1,978,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

If interest rates on borrowings had been 50 basis points lower with all other variables held constant, there would have been an equal and opposite impact on the post-tax profit/(loss) for the year/period.

(b) Credit risk

The Target Group has policies in place to determine credit limit, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the director of the Target Company consider that the Target Group does not expose to significant credit risk.

For trade receivables, the Target Group reassesses the lifetime expected credit losses at the end of the reporting period to ensure the adequate impairment losses are made for significant increases in the likelihood or risk of default occurring since initial recognition.

The Target Group applies provision matrix to measure the expected credit losses prescribed by HKFRS 9. As of December 31, 2022, 2023 and 2024 and June 30, 2025, the expected loss rates applied in the provision matrix are determined with reference to the debtors' characteristics, including historical actual loss on the trade receivables and information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. As of December 31, 2022, 2023 and 2024 and June 30, 2025, the Target Group has assessed and concluded that the expected credit loss for trade receivables is insignificant.

For other financial assets at amortised cost, the Target Group has assessed and concluded that the expected credit loss for these financial assets is insignificant based on the risk of default of those counterparties under 12-month ECL approach. Thus, no loss allowance was recognised as of December 31, 2022, 2023 and 2024 and June 30, 2025.

Cash and cash equivalents are deposits in banks with sound credit ratings. Given their high credit ratings, the Target Group does not expect to have high credit risk in this aspect.

(c) Liquidity risk

The Target Group's policy is to maintain sufficient cash and cash equivalents and have available funding through borrowings and amounts due to related parties to meet its working capital requirements, where necessary. Management considers that the Target Group does not have significant liquidity risk.

The Target Group's financial liabilities are shown as below:

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
As of December 31, 2022						
Trade payables	1,575	1,575	1,575	—	—	—
Other payables and accruals	8,445	8,445	8,445	—	—	—
Amounts due to related parties	196,300	196,300	196,300	—	—	—
Borrowings	371,906	410,307	36,073	374,234	—	—
	<u>578,226</u>	<u>616,627</u>	<u>242,393</u>	<u>374,234</u>	<u>—</u>	<u>—</u>
	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
As of December 31, 2023						
Trade payables	228	228	228	—	—	—
Other payables and accruals	8,377	8,377	8,377	—	—	—
Amounts due to related parties	239,743	239,743	239,743	—	—	—
Borrowings	443,046	459,903	455,398	4,505	—	—
	<u>691,394</u>	<u>708,251</u>	<u>703,746</u>	<u>4,505</u>	<u>—</u>	<u>—</u>
	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
As of December 31, 2024						
Trade payables	8,028	8,028	8,028	—	—	—
Other payables and accruals	8,997	8,997	8,997	—	—	—
Amounts due to related parties	240,259	240,259	240,259	—	—	—
Borrowings	490,808	514,604	514,604	—	—	—
	<u>748,092</u>	<u>771,888</u>	<u>771,888</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
As of June 30, 2025						
Trade payables	4,944	4,944	4,944	—	—	—
Other payables and accruals	9,252	9,252	9,252	—	—	—
Amount due to related parties	264,427	264,427	264,427	—	—	—
Borrowings	473,707	490,331	490,331	—	—	—
	<u>752,330</u>	<u>768,954</u>	<u>768,954</u>	<u>—</u>	<u>—</u>	<u>—</u>

(d) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk to the Target Group is minimal as most of the Target Group's transactions are carried out in functional currency of the respective entities.

32. FAIR VALUE MEASUREMENT

The fair value measurement of the Target Group's investment properties utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

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

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

For more detailed information in relation to the fair value measurement of the items above, please refer to Note 16.

33. EVENTS AFTER THE END OF THE TRACK RECORD PERIOD

Subsequent to 30 June 2025, save as disclosed elsewhere in the Historical Financial Information, the Target Group has no any significant subsequent events.

34. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Target Group and the Target Company or any of the companies comprising the Target Group in respect of any period subsequent to June 30, 2025.