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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHANGHAI COASTAL COMMERCIAL INVESTMENT MANAGEMENT COMPANY LIMITED

Introduction

We report on the historical financial information of Shanghai Coastal Commercial Investment Management Company Limited (the "**Target Company A**") set out on pages III-4 to III-21, which comprises the statements of financial position as at 31 December 2020, 2021 and 2022 and 31 March 2023, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years/period then ended (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages III-4 to III-7 forms an integral part of this report, which has been prepared for inclusion in the circular of Coastal Greenland Limited dated 29 September 2023 (the "**Circular**") in connection with the acquisition of the entire equity interest in Target Company A and Shenyang Zhongguang North Film and Television City Company Limited.

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company A's financial position as at 31 December 2020, 2021 and 2022 and 31 March 2023 and of the Target Company A's financial performance and cash flows for each of the Relevant Periods in accordance with the basis of preparation set out in note 2(a) 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 Company A which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the three months ended 31 March 2022 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Target Company A 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(a) 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(a) to the Historical Financial Information.

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

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page III-4 have been made.

Dividends

We refer to note 7 to the Historical Financial Information which states that no dividends have been paid by the Target Company A in respect of the Relevant Periods.

No financial statements for the Target Company A

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

BDO Limited

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate no. P05309

Hong Kong, 29 September 2023

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY A

Preparation of the Historical Financial Information

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

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

The Historical Financial Information is presented in Hong Kong Dollars ("**HK$**"), and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Three months ended 31 March	
		2020	**2021**	**2022**	**2022**	**2023**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Administrative expenses		–	–	(186)	–	–
Loss on disposal of a subsidiary		–	–	(49,697)	–	–
Impairment loss recognised on other receivables		(3,841)	–	–	–	–
Loss before taxation		(3,841)	–	(49,883)	–	–
Income tax expense	*5*	–	–	–	–	–
Loss for the year/period		(3,841)	–	(49,883)	–	–
Other comprehensive income						
Item that will not be reclassified to profit or loss:						
Exchange differences arising on translation to presentation currency		515	233	433	66	(844)
Total comprehensive income for the year/period		(3,326)	233	(49,450)	66	(844)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2020	2021	2022	2023
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investments in subsidiaries	*8*	330,902	340,631	7,277	7,425
Total non-current assets		330,902	340,631	7,277	7,425
Current assets					
Other receivables	*9*	208,870	215,012	196,798	200,813
Amount due from a subsidiary	*10*	832	856	784	800
Cash and cash equivalents		11	12	10	10
Total current assets		209,713	215,880	197,592	201,623
Current liabilities					
Amount due to a subsidiary	*10*	323,179	332,681	–	–
Amount due to ultimate holding company	*10*	209,539	215,700	246,189	251,212
Total current liabilities		532,718	548,381	246,189	251,212
Net current liabilities		(323,005)	(332,501)	(48,597)	(49,589)
Net assets (liabilities)		7,897	8,130	(41,320)	(42,164)
Equity					
Share capital		11,163	11,163	11,163	11,163
Reserves		(3,266)	(3,033)	(52,483)	(53,327)
Total equity (deficit)		7,897	8,130	(41,320)	(42,164)

STATEMENTS OF CHANGES IN EQUITY

	Share capital HK$'000	Reserves: Exchange reserve HK$'000	Reserves: Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 January 2020	11,163	–	60	11,223
Loss for the year	–	–	(3,841)	(3,841)
Exchange differences arising on translation to presentation currency	–	515	–	515
Total comprehensive income for the year	–	515	(3,841)	(3,326)
At 31 December 2020 and 1 January 2021	11,163	515	(3,781)	7,897
Exchange differences arising on translation to presentation currency	–	233	–	233
At 31 December 2021 and 1 January 2022	11,163	748	(3,781)	8,130
Loss for the year	–	–	(49,883)	(49,883)
Exchange differences arising on translation to presentation currency	–	433	–	433
Total comprehensive income for the year	–	433	(49,883)	(49,450)
At 31 December 2022	11,163	1,181	(53,664)	(41,320)
At 1 January 2022	11,163	748	(3,781)	8,130
Exchange differences arising on translation to presentation currency	–	66	–	66
At 31 March 2022 (unaudited)	11,163	814	(3,781)	8,196
At 1 January 2023	11,163	1,181	(53,664)	(41,320)
Exchange differences arising on translation to presentation currency	–	(844)	–	(844)
At 31 March 2023	11,163	337	(53,664)	(42,164)

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities					
Loss before taxation	(3,841)	–	(49,883)	–	–
Adjustments for:					
Impairment loss recognised on other receivables	3,841	–	–	–	–
Loss on disposal of a subsidiary	–	–	49,697	–	–
Cash used in operations	–	–	(186)	–	–
Tax paid	–	–	–	–	–
Net cash used in operating activities	–	–	(186)	–	–
Cash flows from investing activities					
Advance to a subsidiary	(790)	–	–	–	–
Net cash used in investing activities	(790)	–	–	–	–
Cash flows from financing activities					
Advance from a subsidiary	306,756	–	–	–	–
(Repayment to) advance from ultimate holding company	(305,966)	–	184	–	–
Net cash generated from financing activities	790	–	184	–	–
Net decrease in cash and cash equivalents	–	–	(2)	–	–
Effect of foreign exchange rate change	–	1	–	–	–
Cash and cash equivalents at beginning of year/period	11	11	12	12	10
Cash and cash equivalents at end of year/period	11	12	10	12	10

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General Information

The Target Company A is a limited liability company incorporated in the People's Republic of China (the "**PRC**"). The principal activity of the Target Company A is investment holding.

The directors of the Target Company A consider the Target Company A's immediate holding company and ultimate holding company are Affluent Ocean International Limited, a company incorporated in the British Virgin Islands and Yuzhou Group Holdings Company Limited, a company incorporated in the Cayman Island, respectively.

2. Summary of significant accounting policies

(a) Basis of preparation

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform with HKFRSs (which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Historical Financial Information also complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Target Company A and became effective during the Relevant Periods. In preparing the Historical Financial Information, the Target Company A has adopted all relevant new or revised HKFRSs effective for accounting period beginning on 1 January 2023, together with the relevant transition provisions, consistently throughout the Relevant Periods.

At the date of this report, certain new or revised HKFRSs have been issued by the HKICPA but are not yet effective and have not been early adopted by the Target Company A. Details of which are set out in note 3 to the Historical Financial Information.

As the Target Company A is a holding company that is a wholly owned subsidiary of another body corporate, it satisfies the exemption criteria set out in Section 379(3)(a) of the Hong Kong Companies Ordinance (Cap. 622) and is therefore not required to prepare consolidated financial statements.

Notwithstanding the Target Company A had net current liabilities of HK$323,005,000, HK$332,501,000, HK$48,597,000 and HK$49,589,000 respectively at 31 December 2020, 2021, 2022 and 31 March 2023 and the Target Company A had net liabilities of HK$41,320,000 and HK$42,164,000 at 31 December 2022 and 31 March 2023, the directors of the Target Company A have prepared the Historical Financial Information on a going concern basis on the ground that Yuzhou Group Holdings Company Limited ("**Yuzhou Group**"), has agreed to continue to support the Target Company A by providing adequate financial assistance. Yuzhou Group has agreed to provide adequate funds for the Target Company A to meet its debts in the subsequent 12 months starting from 31 March 2023.

The Historical Financial Information is presented in HK$ which is different from the functional currency of the Target Company A, Renminbi ("**RMB**"), as the directors of the Target Company A consider that HK$ is the appropriate presentation currency in view of its place of listing of Coastal Greenland Limited.

(b) Subsidiaries

A subsidiary is an investee over which the Target Company A is able to exercise control. The Target Company A 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.

Investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Target Company A on the basis of dividend received and receivable.

(c) Financial Instruments

(i) Financial assets

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

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

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 Company A's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: 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 rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

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

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

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

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

The Target Company A assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Target Company A considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Company A in full, without recourse by the Target Company A to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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.

(iii) Financial liabilities

The Target Company A classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including amount due to a subsidiary and amount due to ultimate holding company by the Target Company A are 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.

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

The Target Company A 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.

(d) Income taxes

Income taxes for the year/period comprise current 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 each Relevant Periods.

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

(e) ***Cash and cash equivalents***

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and 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, and form an integral part of the Target Company A's cash management.

(f) ***Revenue recognition***

Dividend income is recognised when the right to receive the dividend is established.

(g) ***Foreign currency***

At the end of each Relevant Periods, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences relating to the retranslation of the Target Company A's net assets in RMB to its presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in exchange reserve are not reclassified to profit or loss subsequently.

(h) ***Investment property***

Investment properties are properties held to earn rentals. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

In circumstances where the fair values of the investment properties under construction are not reliably determinable, such investment properties under construction are measured at cost less impairment, if any, until when their fair values become reliably determinable, which occur upon finalisation of the development plan, at which point in time the land and relocation costs and construction costs attributable to the investment property is reliably determinable.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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 the profit or loss in the period in which the property is derecognised.

(i) Related parties

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

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

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

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

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

(i) The entity and the Target Company A 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 Company A or an entity related to the Target Company A.

(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 A or to the Target Company A'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.

3. New or revised HKFRSs issued but not yet effective

The following revised HKFRSs, potentially relevant to the Target Company A, have been issued, but are not yet effective and have not been early adopted by the Target Company A in the preparation of the Historical Financial Information.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1, 2]
Amendments to HKAS 1	Non-current Liabilities with covenants[1, 2]

1 Effective for annual periods beginning on or after 1 January 2024

2 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.

The directors of the Target Company A are in the process of making assessments of what the impact of these amended HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of these amended HKFRSs is unlikely to have a significant impact on the consolidated financial statements of the Target Company A.

4. Key sources of estimation uncertainty

In the application of the Target Company A's accounting policies, the directors of the Target Company A 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 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 ongoing 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 the revision affects both current and future periods.

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

Estimated impairment of receivables

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At the end of each Relevant Period, the Target Company A assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Target Company A considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

As at 31 December 2020, 2021, 2022 and 31 March 2023, the carrying amounts of other receivables were HK$208,870,000, HK$215,012,000, HK$196,798,000 and HK$200,813,000 respectively, net of impairment loss of HK$4,046,000, HK$4,166,000, HK$3,813,000 and HK$3,891,000 for the years/period then ended; the carrying amounts of amount due from a subsidiary amounted to HK$832,000, HK$856,000, HK$784,000 and HK$800,000 respectively.

5. Income tax expense

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the statutory tax rate of the Target Company A is 25%.

No provision for taxation has been made as the Target Company A does not have assessable profit during the Relevant Periods.

6. Directors' remuneration

No director has received any fees or emoluments in respect of his services rendered to the Target Company A during the Relevant Periods.

7. Dividend

No dividend was paid or declared by the Target Company A during the Relevant Periods.

8. Investments in subsidiaries

The following is a list of the principal subsidiaries at 31 December 2020, 2021, 2022 and 31 March 2023:

Name of company	Place of incorporation/ establishment	Particulars of issued and registered capital	Percentage of interest directly held as at				
			31 December 2020	31 December 2021	31 December 2022	31 March 2023	the date of this report
Beijing Tianlun Huanyu Investment Management Company Limited	The PRC	RMB10,000,000	65%	65%	65%	65%	65%
Foshan Harmonious Realty Development Company Limited ("**Foshan Harmonious**")	The PRC	RMB272,000,000	100%	100%	N/A (*Note*)	N/A	N/A

Note: On 30 November 2022, the Target Company A and Foshan Hongzhou Real Estate Development Company Limited, a subsidiary of Yuzhou Group Holdings Company Limited (stock code: 01628), entered into a disposal agreement, the Target Company A has agreed to sell 100% of the equity interest in Foshan Harmonious at consideration of RMB228,604,000 (equivalent to HK$261,800,000).

9. Other receivables

	As at 31 December			As at 31 March
	2020 *HK$'000*	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*
At beginning of year	200,049	208,870	215,012	196,798
Impairment loss recognised during the year	(3,841)	–	–	–
Exchange realignment	12,662	6,142	(18,214)	4,015
At the end of year	208,870	215,012	196,798	200,813

Note: The Target Company A entered into a cooperative agreement with a PRC entity, an independent third party, to develop a commercial property in Beijing. Pursuant to the agreement, the Target Company A is mainly responsible for the demolition of the existing properties. Upon the completion of the property development, the Target Company A is entitled to 65% of rental income from leasing of the property for 35 years. The above amounts represent the development costs incurred by the Target Company A.

The Target Company A engaged an independent valuer, Peak Vision Appraisals Limited, to assess the ECLs. An impairment loss of HK$3,841,000 has been recognised in profit or loss for the year ended 31 December 2020. Details of ECLs on other receivables are set out in note 14(i) to the Historical Financial Information.

10. Amounts due from (to) a subsidiary/ultimate holding company

The amounts due from (to) a subsidiary/ultimate holding company are interest-free, unsecured and repayable on demand.

The Target Company A engaged an independent valuer, Peak Vision Appraisals Limited, to conduct an assessment of the ECLs of the amount due from a subsidiary in each of the Relevant Periods. According to the assessment of the independent valuer, the amount of ECLs are considered to be immaterial and no loss allowance provision was recognised during the Relevant Periods.

11. Notes to the statement of cash flows

(a) Significant non-cash transaction from investing activities is as follows:

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Consideration on disposal of a subsidiary settled through current account with ultimate holding company	–	–	261,800	–

(b) Significant non-cash transaction from financing activities is as follow:

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Payable to a subsidiary settled through current account with ultimate holding company	–	–	311,497	–

(c) Reconciliation of liabilities arising from financing activities

	Amount due to a subsidiary	Amount due to ultimate holding company
	HK'000	*HK'000*
At 1 January 2020	–	(499,739)
Changes from financing cash flow:		
Advance from a subsidiary	(306,756)	–
Repayment to ultimate holding company	–	305,966
	(306,756)	305,966
Other changes:		
Exchange adjustments	(16,423)	(15,766)
At 31 December 2020, 1 January 2021	(323,179)	(209,539)
Other changes:		
Exchange adjustments	(9,502)	(6,161)
At 31 December 2021 and 1 January 2022	(332,681)	(215,700)
Changes from financing cash flow:		
Non-cash movement	311,497	(311,497)
Advance from ultimate holding company	–	(186)
	311,497	(311,683)

	Amount due to a subsidiary *HK'000*	Amount due to ultimate holding company *HK'000*
Other changes:		
Consideration on disposal of a subsidiary settled through current account with ultimate holding company	–	261,800
Exchange adjustments	21,184	19,394
	21,184	281,194
At 31 December 2022	–	(246,189)
At 1 January 2022	(332,681)	(215,700)
Other changes:		
Exchange adjustments	(2,703)	(1,753)
At 31 March 2022 (unaudited)	(335,384)	(217,453)
At 1 January 2023	–	(246,189)
Other changes:		
Exchange adjustments	–	(5,023)
At 31 March 2023	–	(251,212)

12. Related parties transactions

In the opinion of the directors of the Target Company A, key management personnel of the Target Company A represented the directors of the Target Company A whom did not receive any remuneration during the Relevant Periods.

13. Summary of financial assets and financial liabilities by category

The following table shows the carrying amount of financial assets and liabilities:

	As at 31 December			As at 31 March
	2020 *HK$'000*	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*
Financial assets at amortised cost				
Other receivables	208,870	215,012	196,798	200,813
Amount due from a subsidiary	832	856	784	800
Cash and cash equivalents	11	12	10	10
	209,713	215,880	197,592	210,623

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities at amortised cost				
Amount due to a subsidiary	323,179	332,681	–	–
Amount due to ultimate holding company	209,539	215,700	246,189	251,212
	532,718	548,381	246,189	251,212

Financial instruments not measured at fair value include amount due from a subsidiary, cash and cash equivalents, amount due to a subsidiary and amount due to ultimate holding company. Due to their short-term nature, the carrying values of these financial instruments approximate their fair values.

14. Financial risk management

The main risks arising from the Target Company A's financial instruments in the normal course of the Target Company A's business are credit risk and liquidity risk. These risks are limited by the Target Company A's financial management policies and practices described below.

(i) Credit risk

Other receivables

In assessing the probability of defaults, the management has taken into account the financial position of the counterparties, the industries they operate, their latest operating result where available as well as forward looking information that is available without undue cost or effort. The loss allowance is measured under the 12 months ECLs method.

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables:

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross carrying amount	212,916	219,178	200,611	204,704
Provision for impairment	(4,046)	(4,166)	(3,813)	(3,891)
Carrying amount net of ECLs	208,870	215,012	196,798	200,813

The Target Company A has assessed that the expected credit loss for other receivables with reference to the ECL assessment provided by an independent valuer.

Movement in the loss allowance account in respect of other receivables during the Relevant Periods is as follows:

	HK$'000
As at 1 January 2020	–
Impairment loss recognised	3,841
Exchange realignment	205
As at 31 December 2020 and 1 January 2021	4,046
Exchange realignment	120
As at 31 December 2021 and 1 January 2022	4,166
Exchange realignment	(353)
As at 31 December 2022 and 1 January 2023	3,813
Exchange realignment	78
As at 31 March 2023	3,891

Amount due from a subsidiary

The credit risks for amount due from a subsidiary of the Target Company A are considered immaterial as the counterparties have a low risk of default. The Target Company A assessed that the ECLs for the balances are immaterial under the 12 months ECLs method. Accordingly, no loss allowance provision was recognised during the Relevant Periods. The maximum exposure to credit risk in respect of the financial instruments are their carrying values.

Cash and cash equivalents

The Target Company A's cash and cash equivalents are held in major reputable financial institutions in the PRC, which management believes are of high credit quality.

(ii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors of the Target Company A, which has built an appropriate liquidity risk management framework for the management of the Target Company A's short, medium and long-term funding and liquidity management requirements. The Target Company A manages liquidity risk by maintaining adequate working capital and continuously monitoring forecast and actual cash flows.

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

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	On demand *HK$'000*
As at 31 December 2020			
Amount due to a subsidiary	323,179	323,179	323,179
Amount due to ultimate holding company	209,539	209,539	209,539
	532,718	532,718	532,718
As at 31 December 2021			
Amount due to a subsidiary	332,681	332,681	332,681
Amount due to ultimate holding company	215,700	215,700	215,700
	548,381	548,381	548,381
As at 31 December 2022			
Amount due to ultimate holding company	246,189	246,189	246,189
As at 31 March 2023			
Amounts due to ultimate holding company	251,212	251,212	251,212

15. Capital management

The primary objectives of the Target Company A's capital management are to safeguard the Target Company A's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity owners' value. The Target Company A manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company A may adjust the dividend payment to equity owners, return capital to equity owners or raise new capital. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

16. Event after the Relevant Periods

There has been no significant event since the end of the Relevant Periods.

17. Subsequent financial statements

No audited financial statements have been prepared by the Target Company A in respect of any period subsequent to 31 March 2023.