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12 September 2023

PRIVATE & CONFIDENTIAL

The Board of Directors
China Brilliant Global Limited
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HONG KONG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHENZHEN CHINA BRILLIANT PROPERTY SERVICES COMPANY LIMITED TO THE DIRECTORS OF CHINA BRILLIANT GLOBAL LIMITED

Introduction

We report on the historical financial information of Shenzhen China Brilliant Global Limited[#] (the “**Acquisition Company**”) set out on pages 4 to 45, which comprises the statements of financial position of the Acquisition Company 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 statements of cash flow of the Acquisition Company for each of the years ended 31 December 2020, 2021 and 2022 and the three months ended 31 March 2023 (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 4 to 45 forms an integral part of this report, which has been prepared for inclusion in the circular of China Brilliant Global Limited (the “**Company**”) dated 12 September 2023 (the “**Circular**”) in connection with the acquisition of the entire equity interests of the Acquisition Company.

No statutory audited financial statements have been prepared by the Acquisition Company as there is no statutory requirement in its place of incorporation.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

The Historical Financial Information were prepared by the director of the Acquisition Company. The director of the Acquisition Company is responsible for the preparation of the Historical Financial Information that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and for such internal control as the director of the Acquisition Company determines is necessary to enable the preparation of the Historical Financial Information that are free from material misstatement, whether due to fraud or error.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHENZHEN CHINA BRILLIANT PROPERTY SERVICES COMPANY LIMITED TO THE DIRECTORS OF CHINA BRILLIANT GLOBAL LIMITED (CONTINUED)

Reporting accountant's 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 Circulares" issued by 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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 purpose of the accountants' report, a true and fair view of the Acquisition Company's financial position as at 31 December 2020, 2021 and 2022 and 31 March 2023 and of the Acquisition Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Acquisition Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flow for the three months ended 31 March 2022 and other explanatory information (the "Stub Period Corresponding Financial Information"). The director of the Acquisition Company are responsible for the preparation and presentation of the Stub Period Corresponding 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 Corresponding 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 enquiries, 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 Corresponding Financial Information, for the purpose 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.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHENZHEN CHINA BRILLIANT PROPERTY SERVICES COMPANY LIMITED TO THE DIRECTORS OF CHINA BRILLIANT GLOBAL LIMITED (CONTINUED)

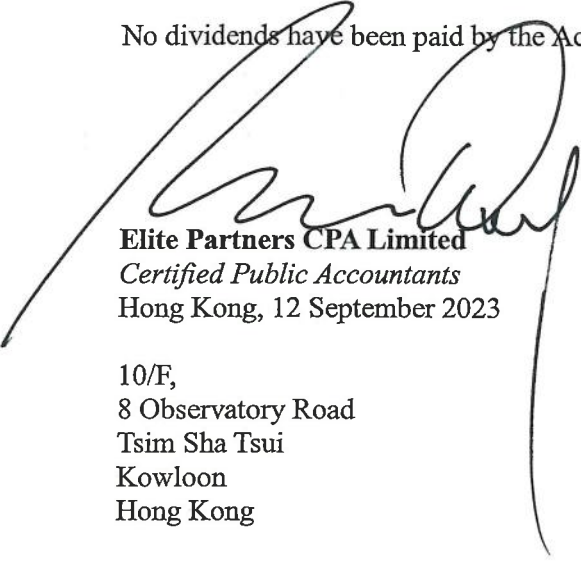
Report on Matters under the rules governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

No dividends have been paid by the Acquisition Company in respect of the Relevant Periods.



Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 12 September 2023

10/F,
8 Observatory Road
Tsim Sha Tsui
Kowloon
Hong Kong

I. HISTORICAL FINANCIAL INFORMATION OF THE ACQUISITION COMPANY

Preparation of Historical Financial Information

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

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

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

**I. HISTORICAL FINANCIAL INFORMATION OF THE ACQUISITION COMPANY
(CONTINUED)**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December			Three months ended 31 March	
		2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2023 <i>HK\$'000</i>
Revenue	6	5,336	6,991	15,137	3,519	4,101
Cost of services provided		(188)	(545)	(994)	(655)	(316)
Gross profit		5,148	6,446	14,143	2,864	3,785
Other revenue	7	12	61	180	14	36
Administrative expenses		(2,312)	(4,287)	(5,960)	(1,162)	(1,369)
Profit before tax	8	2,848	2,220	8,363	1,716	2,452
Income tax expense	9	(251)	(199)	(1,227)	(190)	(313)
Profit for the year attributable To owner of the Acquisition Company		2,597	2,021	7,136	1,526	2,139
Other comprehensive income/ (expense) for the year		377	202	(874)	78	144
Total comprehensive income for the year/period attributable to owner of the Acquisition Company		2,974	2,223	6,262	1,604	2,283

**I. HISTORICAL FINANCIAL INFORMATION OF THE ACQUISITION COMPANY
(CONTINUED)**

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 31
		2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	March 2023 HK\$'000
Non-current assets					
Property, plant and equipment	13	4	3	512	687
Intangible assets	14	-	-	1,015	998
Prepayment for property, plant and equipment	16	-	-	128	-
		4	3	1,655	1,685
Current assets					
Trade receivables	15	218	1,050	199	1,320
Deposits and other receivables	16	21	126	6,774	6,888
Amounts due from related companies	17	4,529	7,102	12,284	15,242
Cash and cash equivalents	18	2,070	625	3,140	1,797
		6,838	8,903	22,397	25,247
Current liabilities					
Trade payables	19	-	-	1,214	1,382
Accruals and other payables	20	397	346	643	786
Contract liabilities	21	2	2	60	-
Amounts due to related companies	22	-	-	6,204	6,273
Tax payables		108	-	1,111	1,388
		507	348	9,232	9,829
Net current assets		6,331	8,555	13,165	15,418
Total assets less current liabilities		6,335	8,558	14,820	17,103
Net assets		6,335	8,558	14,820	17,103
Capital and reserves					
Paid-up capital	23	339	339	339	339
Reserve		5,996	8,219	14,481	16,764
Total equity		6,335	8,558	14,820	17,103

**I. HISTORICAL FINANCIAL INFORMATION OF THE ACQUISITION COMPANY
(CONTINUED)
STATEMENTS OF CHANGE IN EQUITY**

	Share capital HK\$'000	Statutory reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 January 2020	227	303	1	2,718	3,249
Profit for the year	-	-	-	2,597	2,597
Other comprehensive income	-	-	377	-	377
Total comprehensive income for the year	-	-	377	2,597	2,974
Capital injection	112	-	-	-	112
Transfer to statutory reserve	-	260	-	(260)	-
As at 31 December 2020 and as at 1 January 2021	339	563	378	5,055	6,335
Profit for the year	-	-	-	2,021	2,021
Other comprehensive income	-	-	202	-	202
Total comprehensive income for the year	-	-	202	2,021	2,223
Transfer to statutory reserve	-	202	-	(202)	-
As at 31 December 2021 and as at 1 January 2022	339	765	580	6,874	8,558
Profit for the year	-	-	-	7,136	7,136
Other comprehensive income	-	-	(874)	-	(874)
Total comprehensive income for the year	-	-	(874)	7,136	6,262
Transfer to statutory reserve	-	385	-	(385)	-
As at 31 December 2022 and as at 1 January 2023	339	1,150	(294)	13,625	14,820
Profit for the period	-	-	-	2,139	2,139
Other comprehensive income	-	-	144	-	144
Total comprehensive income for the period	-	-	144	2,139	2,283
As at 31 March 2023	339	1,150	(150)	15,764	17,103

**I. HISTORICAL FINANCIAL INFORMATION OF THE ACQUISITION COMPANY
(CONTINUED)**

STATEMENTS OF CHANGE IN EQUITY (CONTINUED)

	Share capital	Statutory reserve	Foreign currency translation reserve	Retained earnings	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
As at 1 January 2022 (audited)	339	765	580	6,874	8,558
Profit for the period	-	-	-	1,526	1,526
Other comprehensive income	-	-	78	-	78
Total comprehensive income for the period	-	-	78	1,526	1,604
As at 31 March 2022 (unaudited)	339	765	658	8,400	10,162

**I. HISTORICAL FINANCIAL INFORMATION OF THE ACQUISITION COMPANY
(CONTINUED)**

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2022 HK\$'000	2023 HK\$'000
				<i>(Unaudited)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	2,848	2,220	8,363	1,716	2,452
Adjustments for:					
Bank interest income	(3)	(7)	(22)	(1)	(2)
Amortisation of intangible assets	-	-	116	30	29
Depreciation of property, plant and equipment	-	1	49	-	28
Loss on disposal of property, plant and equipment	-	-	2	-	-
Operating cash flows before movements in working capital	2,845	2,214	8,508	1,745	2,507
Change in trade receivables	(202)	(803)	835	312	(1,106)
Change in deposits and other receivables	(20)	(102)	(7,181)	(65)	(38)
Change in amounts due from related companies	(1,992)	(2,379)	(6,149)	(1,253)	(2,789)
Change in trade payables	(18)	-	1,310	1,225	153
Change in accruals and other payables	267	(60)	348	364	134
Change in contract liabilities	1	-	63	(2)	(60)
Cash generated from/(used in) operations	881	(1,130)	(2,266)	2,326	(1,199)
Tax paid	(221)	(307)	(29)	-	(51)
Net cash generated from/(used in) operating activities	660	(1,437)	(2,295)	2,326	(1,250)
CASH FLOWS FROM INVESTING ACTIVITIES					
Bank interest received	3	7	22	1	2
Purchase of intangible assets	-	-	(1,161)	(1,210)	-
Purchase of property, plant and equipment	(4)	-	(575)	-	(69)
Prepayment for property, plant and equipment	-	-	(131)	-	-
Net cash (used in)/generated from investing activities	(1)	7	(1,845)	(1,209)	(67)

**I. HISTORICAL FINANCIAL INFORMATION OF THE ACQUISITION COMPANY
(CONTINUED)**

STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 December			Three months ended 31 March	
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2022 HK\$'000	2023 HK\$'000
				<i>(Unaudited)</i>	
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance from related companies	-	-	6,692	495	-
Proceeds from capital injection	112	-	-	-	-
Net cash generated from financing activities	112	-	6,692	495	-
Net increase/(decrease) in cash and cash equivalents	771	(1,430)	2,552	1,612	(1,317)
Cash and cash equivalents at the beginning of the Relevant Periods	1,207	2,070	625	625	3,140
Effect of foreign exchange rate changes, net	92	(15)	(37)	20	(26)
Cash and cash equivalents at the end of the Relevant Periods	2,070	625	3,140	2,257	1,797

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shenzhen China Brilliant Global Limited (the “**Acquisition Company**”) was incorporated in the People’s Republic of China (the “**PRC**”) as a limited liability company on 9 May 2019 under the Company Law of the PRC. Its immediate holding company is Shenzhen Pengyuan Smart Technology Company Limited (“**Shenzhen Pengyuan**”), a limited liability company incorporated in the PRC and ultimately controlled by Mr. Zhang Chunhua (“**Mr. Zhang**”), the executive director, chairman and controlling shareholder of the China Brilliant Global Limited. All the English names of above companies are translations and for identification purposes only. The Acquisition Company’s registered office and principal address of business operation are Room 201, Unit 1, Building 1, Pengyuan, No.18 Li Lang Road, Li Lang Community, Nanwan Street, Longgang District, Shenzhen. The principal activity of the Acquisition Company is the provision of property management services in the PRC.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). Further details of the significant accounting policies adopted are set out in note 4.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The stub period corresponding financial information (the “**Stub Period Corresponding Financial Information**”) has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3. APPLICATION OF AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Acquisition Company has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2023 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective:

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹

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

² Effective for annual periods beginning on or after a date to be determined.

The director of the Acquisition Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Acquisition Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 “Leases” and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Office equipment	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each Relevant Periods, with the effect of any changes in estimate being accounted for on a prospective basis.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on property, plant and equipment and intangible assets

At the end of the reporting period, the Acquisition Company reviews the carrying amounts of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Acquisition Company estimates the recoverable amount of the cash-generating unit (the "CGU") to which the asset belongs.

The recoverable amount of property, plant and equipment and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Acquisition Company estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Acquisition Company compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated to reduce the carrying amount of the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so 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 (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the Relevant Period following the determination that the asset is no longer credit-impaired.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets

The Acquisition Company performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, deposits and other receivables, amounts due from related companies and bank balances). The amount of ECL is updated at the end of each Relevant Period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the Relevant Period. Assessment are done based on the Acquisition Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

The Acquisition Company always recognise lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Acquisition Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Acquisition Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Acquisition Company compares the risk of a default occurring on the financial instrument as at the end of the Relevant Period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Acquisition Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Acquisition Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Acquisition Company has reasonable and supportable information that demonstrates otherwise.

The Acquisition Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Acquisition Company considers that default has occurred when a financial asset is more than 90 days past due unless the Acquisition Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) 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; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Write-off policy

The Acquisition Company 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, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Acquisition Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated the difference between all contractual cash flows that are due to the Acquisition Company in accordance with the contract and the cash flows that the Acquisition Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Acquisition Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Acquisition Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Acquisition Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Acquisition Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Acquisition Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Acquisition Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Acquisition Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables and accruals (exclude accrued staff expenses and other tax payables) and amounts due to related companies) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Acquisition Company derecognises financial liabilities when, and only when, the Acquisition Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the statement of financial position include cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Provisions

Provisions are recognised when the Acquisition Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Acquisition Company will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the Relevant Period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent liabilities and contingent assets

Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Acquisition Company and they are not recognised in the Historical Financial Information. The Acquisition Company assesses continually the development of contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, the Acquisition Company recognises the asset and the related income in the Historical Financial Information in the Relevant Period in which the change occurs.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Acquisition Company is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the Historical Financial Information.

The Acquisition Company assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the Historical Financial Information in the Relevant Period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Revenue from contracts with customers

The Acquisition Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Acquisition Company’s performance as the Acquisition Company performs;
- the Acquisition Company’s performance creates or enhances an asset that the customer controls as the Acquisition Company performs; or
- the Acquisition Company’s performance does not create an asset with an alternative use to the Acquisition Company and the Acquisition Company has an enforceable right to payment for performance completed to date.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract liability represents the Acquisition Company's obligation to transfer services to a customer for which the Acquisition Company has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Acquisition Company's performance in transferring control of services.

Revenue from property management services

Revenue from property management services is recognised in which the services are rendered as the customers simultaneously receives and consumes the benefits provided by the Acquisition Company's performance when the Acquisition Company performs. The Acquisition Company bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Acquisition Company has a right to invoice and that corresponds directly with the value of performance completed. Accordingly, revenue is recognised on a straight-line basis over the specified period, and the cost of services is recognised as incurred in connection with performing such services.

Revenue from value-added services

Revenue from value-added services is recognised over time when the services are rendered and the Acquisition Company's performance provides all of the benefits received and consumed simultaneously by the customer.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into, the Acquisition Company assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Acquisition Company as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Acquisition Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably. The Acquisition Company also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Acquisition Company applies the short-term lease recognition exemption to leases of offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

The Acquisition Company as a lessor

Classification and measurement of leases

Leases for which the Acquisition Company is a lessor 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 such costs are recognised as an expense on a straight-line basis over the lease term.

Rental income which are derived from the Acquisition Company's ordinary course of business are presented as revenue

Sublease

When the Acquisition Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Short term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as salaries and bonus) after deducting any amount already paid.

Retirement benefit obligations

Employees of the Acquisition Company are required to participate in the employee retirement scheme operated by the relevant local government bureau in the PRC. The contributions to be borne by the Acquisition Company is calculated at a certain percentage of the salaries and wages for those eligible employees.

Government grants

Government grants are not recognised until there is reasonable assurance that the Acquisition Company will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Acquisition Company with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from ‘profit before tax’ as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Acquisition Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amounts of deferred tax assets is reviewed at the end of each Relevant Period 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 asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Acquisition Company expects, at the end of the Relevant Period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the Relevant Periods

Current and deferred tax are recognised in profit or loss.

Foreign currencies

In preparing the financial statements of the Acquisition Company, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the Relevant Period, 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.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Acquisition Company's operations are translated into the presentation currency of the Acquisition Company (i.e. HK\$) using exchange rates prevailing at the end of each Relevant Period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

- (a) A person, or a close member of that person's family, is related to the Acquisition Company if that person:
 - (i) has control or joint control over the Acquisition Company;
 - (ii) has significant influence over the Acquisition Company; or
 - (iii) is a member of the key management personnel of the Acquisition Company or the Acquisition Company's parent.
- (b) An entity is related to the Acquisition Company if any of the following conditions applies:
 - (i) The entity and the Acquisition 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 employees of either the Acquisition Company or an entity related to the Acquisition Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a company of which it is a part, provides key management personnel services to the Acquisition Company or to the Acquisition 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.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Acquisition Company's accounting policies, which are described in note 4 to the Historical Financial Information, the director is required to make judgments, 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 following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of Relevant Periods that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for financial assets measured at amortised cost

Trade receivables and all other financial assets measured at amortised cost are assessed for ECL individually.

At the end of each Relevant Period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL are disclosed in note 26.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6. REVENUE

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Revenue from contract with customers with HKFRS 15					
<i>Recognised over time</i>					
Revenue from property management services	3,220	5,137	8,814	1,905	2,863
Revenue from value-added services	1,608	465	5,010	1,299	929
Revenue from contracts with customers	4,828	5,602	13,824	3,204	3,792
Revenue arising from leases					
For operating lease:					
Lease payments that are fixed for carparking operation	508	1,389	1,313	315	309
Total revenue	5,336	6,991	15,137	3,519	4,101

Transaction allocated to the remaining performance obligation for contracts with customers

The Acquisition Company has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contract that the Acquisition Company does not disclose information about revenue that the Acquisition Company will be entitled to when it satisfies the remaining performance obligations under the sales contract that had an original expected duration of one year or less.

7. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Bank interest income		3	7	22	1
Government grants	-	44	134	-	-
Others	9	10	24	14	34
	12	61	180	15	36

During the Relevant Periods, the Acquisition Company recognised government grants in respect of subsidies provide by the PRC local government as a support. There were no unfulfilled conditions or contingencies relating to these government grants.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

8. PROFIT BEFORE TAX

The Acquisition Company's profit before tax is arrived at after charging:

	Year ended 31 December			Three months ended 31 March	
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2022 HK\$'000	2023 HK\$'000
				<i>(Unaudited)</i>	
Amortisation of intangible assets	-	-	116	30	29
Depreciation of property, plant and equipment	-	1	49	-	28
Expenses relating to short-term leases	-	-	1,878	-	-
Loss on disposal of property, plant and equipment	-	-	2	-	-
Employee benefits expense (including director's remuneration):					
- Wages, salaries, allowances and benefits	1,481	2,758	3,180	708	1,084
- Retirement benefits scheme contributions	39	168	183	34	67
	1,520	2,926	3,363	742	1,151
Total cash outflow for leases	-	-	1,878	-	-

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

9. INCOME TAX EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
				<i>(Unaudited)</i>	
Current tax:					
PRC enterprise income tax					
- charge for the Relevant Periods	251	199	1,227	190	313

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Relevant Periods.

As the Acquisition Company qualified as Small Low-Profit Enterprises during the Relevant Periods, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

The income tax expenses for the Relevant Periods can be reconciled to the profit per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
				<i>(Unaudited)</i>	
Profit before tax	2,848	2,220	8,363	1,716	2,452
Tax at PRC EIT rate	712	555	2,091	429	613
Tax effect of:					
Expenses not deductible for tax purpose	55	147	6	-	7
Tax concession	(516)	(503)	(870)	(239)	(307)
Income tax expenses for the Relevant Periods	251	199	1,227	190	313

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

10. DIRECTOR'S EMOLUMENTS

The emoluments of the director, on a named basis for the Relevant Periods are set out below:

For the year ended 31 December 2020

	Fees <i>HK\$ '000</i>	Salaries and other allowance <i>HK\$ '000</i>	Retirement benefit scheme contribution <i>HK\$ '000</i>	Discretionary bonus <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Zhang Zhaoyang	-	82	3	7	92

For the year ended 31 December 2021

	Fees <i>HK\$ '000</i>	Salaries and other allowance <i>HK\$ '000</i>	Retirement benefit scheme contribution <i>HK\$ '000</i>	Discretionary bonus <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Zhang Zhaoyang	-	94	7	8	109

For the year ended 31 December 2022

	Fees <i>HK\$ '000</i>	Salaries and other allowance <i>HK\$ '000</i>	Retirement benefit scheme contribution <i>HK\$ '000</i>	Discretionary bonus <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Zhang Zhaoyang	-	111	8	9	128

For the three months ended 31 March 2022 (unaudited)

	Fees <i>HK\$ '000</i>	Salaries and other allowance <i>HK\$ '000</i>	Retirement benefit scheme contribution <i>HK\$ '000</i>	Discretionary bonus <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Zhang Zhaoyang	-	25	2	-	27

For the three months ended 31 March 2023

	Fees <i>HK\$ '000</i>	Salaries and other allowance <i>HK\$ '000</i>	Retirement benefit scheme contribution <i>HK\$ '000</i>	Discretionary bonus <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Zhang Zhaoyang	-	29	2	-	31

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

10. DIRECTOR'S EMOLUMENTS (CONTINUED)

During the Relevant Periods, no emolument was paid by Acquisition Company to the director of the Acquisition Company as an inducement to join or upon joining the Acquisition Company or as compensation for loss of office. None of the director of Acquisition Company has waived any emoluments during the Relevant Periods.

11. DIVIDENDS

The director of Acquisition Company does not recommend the payment of any dividend for the Relevant Periods.

On 30 July 2023, the Acquisition Company declared a dividend of RMB11,000,000 (equivalent to approximately HK\$12,650,000) to its owner of the Acquisition Company. The dividend distribution is subject to the approval of the Acquisition Company's shareholder.

12. EARNING PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$ '000</i>	Office equipment <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Cost			
As at 1 January 2020	-	-	-
Additions	-	4	4
<hr/>			
As at 31 December 2020, as at 1 January 2021, as at 31 December 2021 and as at 1 January 2022	-	4	4
Additions	575	-	575
Disposal	-	(4)	(4)
Exchange realignment	(16)	-	(16)
<hr/>			
As at 31 December 2022 and as at 1 January 2023	559	-	559
Additions	199	-	199
Exchange realignment	4	-	4
<hr/>			
As at 31 March 2023	762	-	762
<hr/>			
Accumulated losses			
As at 1 January 2020, as at 31 December 2020 and as at 1 January 2021	-	-	-
Charge for the year	-	1	1
<hr/>			
As at 31 December 2021 and 1 January 2022	-	1	1
Charge for the year	48	1	49
Written back upon disposal	-	(2)	(2)
Exchange realignment	(1)	-	(1)
<hr/>			
As at 31 December 2022 and 1 January 2023	47	-	47
Charge for the period	28	-	28
<hr/>			
As at 31 March 2023	75	-	75
<hr/>			
Carrying amounts			
As at 31 December 2020	-	4	4
<hr/> <hr/>			
As at 31 December 2021	-	3	3
<hr/> <hr/>			
As at 31 December 2022	512	-	512
<hr/> <hr/>			
As at 31 March 2023	687	-	687
<hr/> <hr/>			

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14. INTANGIBLE ASSETS

	<u>Software</u> <u>HK\$'000</u>
Cost	
As at 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021 and 1 January 2022	-
Additions	1,161
Exchange realignment	<u>(33)</u>
As at 31 December 2022 and 1 January 2023	1,128
Exchange realignment	<u>13</u>
As at 31 March 2023	<u>1,141</u>
Accumulated losses	
As at 1 January 2020, December 2020, 1 January 2021, 31 December 2021 and 1 January 2022	-
Charge for the year	116
Exchange realignment	<u>(3)</u>
As at 31 December 2022 1 January 2023	113
Charge for the period	29
Exchange realignment	<u>1</u>
As at 31 March 2023	<u>143</u>
Carrying amounts	
As at 31 December 2022	<u>1,015</u>
As at 31 March 2023	<u><u>998</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

15. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
Trade receivables arising from contracts with customers	218	1,050	199	1,320

As at 1 January 2020, trade receivables from contracts with customers (before allowance for credit losses) amounted to approximately HK\$1,000.

Except for certain customers that the Acquisition Company granted a credit term up to 3 months, normally the Acquisition Company have not grant any credit terms to its customers.

Trade receivables are denominated in RMB for the Relevant Periods.

An aging analysis of the Acquisition Company, net of allowance for credit losses, based on earlier of the invoice date or revenue recognition date is as follows:

	2020 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	As at 31 March 2023 <i>HK\$'000</i>
0-30 days	32	-	182	456
31-60 days	5	453	17	385
61-90 days	93	597	-	462
Over 90 days	88	-	-	17
	218	1,050	199	1,320

As at 31 December 2020, as at 31 December 2021, as at 31 December 2022 and as at 31 March 2023, included in the Acquisition Company's trade receivables balance (net of allowance for credit losses) are debtors with aggregate carrying amounts of approximately HK\$88,000, nil, nil and HK\$17,000 which are past due as at the Relevant Periods.

As at 31 December 2020, as at 31 December 2021, as at 31 December 2022 and as at 31 March 2023, included in the Acquisition Company's trade receivables balance (net of allowance for credit losses) are debtors with aggregate carrying amounts of approximately HK\$65,000, nil, nil and nil respectively which are past due more than 90 days at the end of the Relevant Periods and are not considered as credit-impaired due to good track record of the debtors with the Acquisition Company. The Acquisition Company does not hold any collateral over these balances.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

16. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	2020 HK\$'000	As at 31 December 2021 HK\$'000	2022 HK\$'000	As at 31 March 2023 HK\$'000
Deposits paid	-	-	5,641	5,702
Amount due from a director	6	9	6	6
Prepayment for property, plant and equipment	-	-	128	-
Other receivables	15	117	1,127	1,180
	21	126	6,902	6,888
Less: non-current portion	-	-	(128)	-
	21	126	6,774	6,888

Deposits paid and other receivables are denominated in RMB for the Relevant Periods.

17. AMOUNTS DUE FROM RELATED COMPANIES

	2020 HK\$'000	As at 31 December 2021 HK\$'000	2022 HK\$'000	As at 31 March 2023 HK\$'000
China Brilliant Supply Chain Service Co.,Ltd. (note i)	-	-	1,878	448
Huizhou China Brilliant Supply Chain Service Co., Ltd. (note i)	-	-	1,739	440
Wellside International limited (note i)	-	-	398	503
Foshan China Brilliant Supply Chain Service Co., Ltd. (note i)	-	-	598	-
Shenzhen Pengyuan (note ii)	4,529	7,102	7,671	13,851
	4,529	7,102	12,284	15,242

Amounts due from related companies are denominated in RMB for the Relevant Periods.

Notes:

- (i) Those related companies are companies ultimately controlled by Mr. Zhang. The amounts due are trade nature unsecured, interest-free and repayable within 3 days after the date of issuance of invoice.
- (ii) Shenzhen Pengyuan is immediate holding company of the Acquisition Company. The amount due is non-trade nature, unsecured, interest-free and repayable on demand.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

18. CASH AND CASH EQUIVALENTS

	2020 HK\$'000	As at 31 December 2021 HK\$'000	2022 HK\$'000	As at 31 March 2023 HK\$'000
Cash at bank and cash on hand	2,070	625	3,140	1,797

Bank balances earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Cash and cash equivalents are denominated in RMB for the Relevant Periods.

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

For the Relevant Periods, the Acquisition Company performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant, no allowance for ECL is provided for the Acquisition Company.

19. TRADE PAYABLES

An aging analysis of the Acquisition Company is as follows:

	2020 HK\$'000	As at 31 December 2021 HK\$'000	2022 HK\$'000	As at 31 March 2023 HK\$'000
0-30 days	-	-	1,182	1,349
31-60 days	-	-	32	1
61-90 days	-	-	-	32
	-	-	1,214	1,382

Trade payables are denominated in RMB for the Relevant Periods.

The credit periods normally granted by suppliers up to 30 days.

20. ACCRUALS AND OTHER PAYABLES

	2020 HK\$'000	As at 31 December 2021 HK\$'000	2022 HK\$'000	As at 31 March 2023 HK\$'000
Other payables	205	124	274	256
Other tax payables	32	6	157	294
Accrued staff expenses	160	216	212	236
	397	346	643	786

Accruals and other payables are denominated in RMB for the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

21. CONTRACT LIABILITIES

	2020 HK\$'000	As at 31 December 2021 HK\$'000	2022 HK\$'000	As at 31 March 2023 HK\$'000
Advance from customers	2	2	60	-

As at 1 January 2020, contract liabilities amounted to approximately HK\$1,000.

Contract liabilities represented advance payments received from customers for valued-added services pursuant to the respective services before the services rendered to the customers.

The Acquisition Company classifies these contract liabilities as current because the Acquisition Company expects these balances to be settled in its normal operating cycle which is within 12 months after the end of the reporting period.

Contract liabilities are denominated in RMB for the Relevant Periods.

22. AMOUNTS DUE TO RELATED COMPANIES

	2020 HK\$'000	As at 31 December 2021 HK\$'000	2022 HK\$'000	As at 31 March 2023 HK\$'000
Shenzhen China Brilliant Investment Holdings Co., Ltd. (note i)	-	-	5,302	5,361
Shenzhen China Brilliant Intelligent Technology Co., Ltd. (note i)	-	-	902	912
	-	-	6,204	6,273

Amounts due to related companies are denominated in RMB for the Relevant Periods.

Note:

- (i) Those related companies are companies ultimately controlled by Mr. Zhang. The amounts due are non-trade nature unsecured, interest-free and repayable on demand.

23. PAID-UP CAPITAL

	2020 HK\$'000	As at 31 December 2021 HK\$'000	2022 HK\$'000	As at 31 March 2023 HK\$'000
At the beginning of Relevant Periods	227	339	339	339
Capital injection	112	-	-	-
At the end of Relevant Periods	339	339	339	339

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

24. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in these Historical Financial Information, the Acquisition Company had the following transactions with a related company at the end of the reporting period:

	Year ended 31 December			Three months ended 31 March	
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2022 HK\$'000	2023 HK\$'000
				(Unaudited)	
Revenue from property management services derived from:					
China Brilliant Supply Chain Service Co., Ltd.	-	1,527	1,432	373	417
Huizhou China Brilliant Supply Chain Service Co., Ltd.	-	-	62	-	16
Huizhou China Brilliant Properties Co., Ltd.	-	-	3,496	663	1,172
Revenue from valued-added services derived from:					
China Brilliant Supply Chain Service Co., Ltd.	-	42	1,876	480	426
Huizhou China Brilliant Supply Chain Service Co., Ltd.	-	-	1,713	440	393
Shenzhen China Brilliant Logistics Co., Ltd.	22	-	14	14	-
Huizhou China Brilliant Properties Co., Ltd.	-	-	1	-	-
Wellside International limited	-	-	409	107	102
Foshan China Brilliant Supply Chain Service Co., Ltd.	-	-	584	151	-
Lease payments that are fixed for carparking operation derived from:					
Shenzhen China Brilliant Micro Loan Co., Ltd.	-	24	12	7	-
China Brilliant Supply China Service Co., Ltd	-	183	241	65	-
Expenses related to short-term leases paid/payable to Shenzhen China Brilliant Investment Holdings Co., Ltd.	-	1,878	-	-	-
Other administrative expenses paid/payable to China Brilliant Supply Chain Service Co.,Ltd.	-	-	-	-	27

During the Relevant Periods, Shenzhen Pengyuan provided carpark for the Acquisition Company carparking operation for which no charge was made by Shenzhen Pengyuan.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

		As at		As at
	2020	31 December	2022	31 March
	HK\$'000	2021	HK\$'000	2023
		HK\$'000	HK\$'000	HK\$'000
Amortised cost:				
Trade receivables	218	1,050	199	1,320
Deposits and other receivables	21	126	6,774	6,888
Amounts due from related companies	4,529	7,102	12,284	15,242
Cash and cash equivalents	2,070	625	3,140	1,797
	6,838	8,903	22,397	25,247

Financial liabilities

		As at		As at
	2020	31 December	2022	31 March
	HK\$'000	2021	HK\$'000	2023
		HK\$'000	HK\$'000	HK\$'000
Amortised cost:				
Trade payables	-	-	1,214	1,382
Other payables	205	124	274	256
Amounts due to related companies	-	-	6,204	6,273
	205	124	7,692	7,911

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The major financial instruments of the Acquisition Company included trade receivables, deposits and other receivables, amounts due from related companies, cash and cash equivalents, trade payables, accruals and other payables (exclude accrued staff costs and other tax payables) and amounts due to related companies. Details of the financial instruments for the Acquisition Company are disclosed in respective notes to the Historical Financial Information.

The principal risk management objective of the Acquisition Company is to manage the risks associated to the unpredictability of financial markets in a prudent manner. They are measured by degree of such risks and their effects to the financial performance and financial positions of the Acquisition Company.

It is, and has been, throughout the year under review, the Acquisition Company's policy that no trading in financial instruments shall be undertaken. The management seeks to minimise the adverse effects of such risks to the Acquisition Company by closely monitoring individual exposure.

The main risks arising from the financial instruments are credit risk and impairment assessment, liquidity risk, interest rate risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below. No changes were made in the risk management objectives, policies, processes and the methods used to measure the risks during each of the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk and impairment assessment

The Acquisition Company's credit risk is primarily attributable to financial assets at amortised cost (including trade receivables, deposits and other receivables, amounts due from related companies and bank balances) as at the Relevant Periods.

As at the Relevant Periods, the maximum exposure to credit risk of the Acquisition Company which will cause a financial loss to the Acquisition Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise the credit risk, the director has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Acquisition Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – (not credit-impaired)	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – (not credit-impaired)	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – (not credit-impaired)	Lifetime ECL – (not credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – (credit-impaired)	Lifetime ECL – (credit-impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The Acquisition Company deposited bank balances with approved and reputable banks. Bankruptcy or insolvency of banks may cause the Acquisition Company's right with respect to bank balances held to be delayed or limited. The director monitors the credit rating of these banks on an ongoing basis, and considered that the Acquisition Company's exposure to credit risk as at the Relevant Periods were minimal.

The Acquisition Company is exposed to concentration of credit risk as at the Relevant Periods on trade receivables from the Acquisition Company's top trade debtor and top five trade debtors amounting approximately to 80% and 100% as at 31 December 2020, 100% and 100% as at 31 December 2021, 91% and 100% as at 31 December 2022 and 64% and 100% as at 31 March 2023 of the Acquisition Company's trade receivables respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk and impairment assessment (continued)

The Acquisition Company performs impairment assessment under ECL model on trade receivables are using individual basis as appropriate. In this regard, the director considers that the Acquisition Company's credit risk is significantly reduced. Based on ECL assessment, the credit exposures for trade receivables are considered as performing under the Acquisition Company's current credit risk grading framework and no impairment loss was recognised during the Relevant Periods.

For deposits, other receivables and amounts due from related companies, the management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

Based on ECL assessment, the credit exposures for refundable deposits, other receivables and amounts due from related companies are considered as performing under the Acquisition Company's current credit risk grading framework because the counterparties have a low risk of default and does not have material past-due amounts. During the Relevant Periods, no impairment loss was recognised.

(b) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The objective of the Acquisition Company is to apply prudent treasury policy to monitor liquidity ratios against risk limits with a contingency plan for funding, to ensure the Acquisition Company has sufficient funding for operation needs. The management manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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

	As at 31 December 2020					Total carrying amount HK\$'000
	Effective interest rate	On demand or within 1 year HK\$'000	Within 2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	
Non-derivative financial liabilities						
Other payables	-	205	-	-	205	205
	As at 31 December 2021					Total carrying amount HK\$'000
	Effective interest rate	On demand or within 1 year HK\$'000	Within 2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	
Non-derivative financial liabilities						
Other payables	-	124	-	-	124	124

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

The maturity profile of the Acquisition Company's financial liabilities at the end of the Relevant Periods based on the contractual undiscounted payments is as follows: (continued)

	Effective interest rate	As at 31 December 2022			Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
		On demand or within 1 year HK\$'000	Within 2-5 years HK\$'000	Over 5 years HK\$'000		
Non-derivative financial liabilities						
Trade payables	-	1,214	-	-	1,214	
Other payables	-	274	-	-	274	
Amounts due to related companies	-	6,204	-	-	6,204	
Total		7,692	-	-	7,692	

	Effective interest rate	As at 31 March 2023			Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
		On demand or within 1 year HK\$'000	Within 2-5 years HK\$'000	Over 5 years HK\$'000		
Non-derivative financial liabilities						
Trade payables	-	1,382	-	-	1,382	
Other payables	-	256	-	-	256	
Amounts due to related companies	-	6,273	-	-	6,273	
Total		7,911	-	-	7,911	

(c) Interest rate risk

The Acquisition Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Acquisition Company cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Acquisition Company manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate arising from variable-rate bank balances is insignificant. The Acquisition Company has no significant exposure to interest rate fluctuations.

(d) Foreign currency risk

The Acquisition Company operates in the PRC and all transactions are denominated in RMB. The Acquisition Company has minimal exposure to foreign exchange risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Acquisition Company. The Acquisition Company manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates and also by way of forward contracts when necessary.

The Acquisition Company has no significant exposure to foreign exchange rate fluctuations.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

27. CAPITAL MANAGEMENT

The primary objectives of capital management are to safeguard the Acquisition Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the management may make adjustments on the dividend policy or capital structure policy in light of changes in conditions and the risk characteristics of the underlying assets. No changes were made in the objectives, policies or processes for managing capital during each of the Relevant Periods.

The Acquisition Company is not subject to any externally imposed capital requirements.

Gearing ratio

The director reviews the capital structure regularly. As part of this review, the director considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the director, the Acquisition Company will balance its overall capital structure through payment of dividends, issue of new share and redemption of existing shares as well as the issue of new debt or the redemption of existing debts.

The gearing ratio at the end of the Relevant Periods was as follows:

	As at		As at	
	2020	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total debts (<i>note i</i>)	-	-	6,204	6,273
Less: Cash and cash equivalents	(2,070)	(625)	(3,140)	(1,797)
Net (cash)/debt	(2,070)	(625)	3,064	4,476
Equity attributable to owners of the Acquisition Company	6,335	8,558	14,820	17,103
Total debts to equity ratio	N/A	N/A	42%	37%

Notes:

- (i) Debts comprises amounts due to related companies as detailed in note 22.
- (ii) Equity attributable to owners of the Acquisition Company includes paid-up capital and reserves.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

28. RETIREMENT BENEFITS SCHEME

The employees of the Acquisition Company in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The Acquisition Company is required to contribute certain percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Acquisition Company with respect to the retirement benefit scheme is to make the specified contribution.

There was no forfeiture of retirement benefits scheme contributions for the Relevant Periods.

The contributions arising from the above retirement benefits scheme are charged to profit or loss.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Acquisition Company's liability arising from financing activity, including both cash and non-cash changes. Liability arising from financing activity is those for which cash flows were, or future cash flows will be, classified in the Acquisition Company's statement of cash flows as cash flows from financing activity.

	Amounts due to related companies <u>HK\$ '000</u>
As at 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021 and 1 January 2022	-
Non-cash changes:	
Exchange realignment	(488)
Cash flows:	
Inflow from financing activity	<u>6,692</u>
As at 31 December 2022 and 1 January 2023	6,204
Non-cash changes:	
Exchange realignment	<u>69</u>
As at 31 March 2023	<u>6,273</u>

30. SUBSEQUENT FINANCIAL STATEMENTS

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