



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SOLUTION RIGHT LIMITED TO THE DIRECTORS OF MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

We report on the historical financial information of Solution Right Limited (the “**Target Company**”) and its subsidiaries (together, the “**Target Group**”) set out on pages II-4 to II-22, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2021, 2022 and 2023 and 31 October 2024 and the consolidated statements of profit or loss and other comprehensive income and the consolidated statements of changes in equity, for each of the years ended 31 December 2021, 2022 and 2023, and the ten months ended 31 October 2024 (the “**Relevant Periods**”), and a summary of material accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-4 to II-22 forms an integral part of this report, which has been prepared for inclusion in the circular of Miramar Hotel and Investment Company, Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 12 March 2025 (the “**Circular**”) in connection with the proposed acquisition of interests in the Target Company by the Group.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

The Underlying Financial Statements of the Target Group as defined on page II-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements 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 (“**HKICPA**”), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements 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 HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 Target Group's financial position as at 31 December 2021, 2022 and 2023 and 31 October 2024 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity for the ten months ended 31 October 2023 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 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 and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

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



Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

12 March 2025



HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report. The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Target Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").



CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

		For the year ended 31 December		For the ten months ended 31 October		
	Note	2021 \$'000	2022 \$'000	2023 \$'000	2023 \$'000 (unaudited)	2024 \$'000
Revenue	4	2,215	347	2,664	2,559	1,571
Other income	5	—	—	48	—	650
Operating and other expenses	6(a)	(1,555)	(1,429)	(1,905)	(1,577)	(1,986)
Profit/(loss) from operations before changes in fair value of investment properties		660	(1,082)	807	982	235
Increase/(decrease) in fair value of investment properties	10	108,722	(32,451)	(422,374)	—	(161,311)
Profit/(loss) before taxation	6	109,382	(33,533)	(421,567)	982	(161,076)
Income tax	7(a)	—	—	—	—	—
Profit/(loss) and total comprehensive income for the year/period		<u>109,382</u>	<u>(33,533)</u>	<u>(421,567)</u>	<u>982</u>	<u>(161,076)</u>

The accompanying notes form part of the Historical Financial Information.



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

		At 31 December			At
	Note	2021	2022	2023	31 October
		\$'000	\$'000	\$'000	2024
					\$'000
Non-current asset					
Investment properties	10	<u>1,595,000</u>	<u>1,583,000</u>	<u>1,167,600</u>	<u>1,624,788</u>
Current assets					
Prepayments	11	126,925	134,757	134,758	133,995
Trade receivables		1,454	183	862	—
Deposits paid		<u>10</u>	<u>10</u>	<u>10</u>	<u>15</u>
		<u>128,389</u>	<u>134,950</u>	<u>135,630</u>	<u>134,010</u>
Current liabilities					
Trade and other payables		(1,813)	(446)	(287)	(565)
Contract liabilities		(1)	(1)	(14)	—
Rental deposits received		<u>(592)</u>	<u>(593)</u>	<u>(333)</u>	<u>—</u>
		<u>(2,406)</u>	<u>(1,040)</u>	<u>(634)</u>	<u>(565)</u>
Net current assets		<u>125,983</u>	<u>133,910</u>	<u>134,996</u>	<u>133,445</u>
Total assets less current liabilities		1,720,983	1,716,910	1,302,596	1,758,233
Non-current liability					
Amount due to an intermediate holding company	12	<u>(1,800,065)</u>	<u>(1,829,525)</u>	<u>(1,836,778)</u>	<u>(2,453,491)</u>
NET LIABILITIES		<u>(79,082)</u>	<u>(112,615)</u>	<u>(534,182)</u>	<u>(695,258)</u>
CAPITAL AND RESERVE					
Capital	13(c)	*	*	*	*
Accumulated losses		<u>(79,082)</u>	<u>(112,615)</u>	<u>(534,182)</u>	<u>(695,258)</u>
TOTAL DEFICIT		<u>(79,082)</u>	<u>(112,615)</u>	<u>(534,182)</u>	<u>(695,258)</u>

* Represents amount of less than \$1,000

The accompanying notes form part of the Historical Financial Information.



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Hong Kong dollars)

	Capital \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2021	*	(188,464)	(188,464)
Change in equity for the year:			
Profit and total comprehensive income for the year	<u>*</u>	<u>109,382</u>	<u>109,382</u>
At 31 December 2021 and 1 January 2022	*	(79,082)	(79,082)
Change in equity for the year:			
Loss and total comprehensive income for the year	<u>*</u>	<u>(33,533)</u>	<u>(33,533)</u>
At 31 December 2022 and 1 January 2023	*	(112,615)	(112,615)
Change in equity for the year:			
Loss and total comprehensive income for the year	<u>*</u>	<u>(421,567)</u>	<u>(421,567)</u>
At 31 December 2023 and 1 January 2024	*	(534,182)	(534,182)
Change in equity for the period:			
Loss and total comprehensive income for the period	<u>*</u>	<u>(161,076)</u>	<u>(161,076)</u>
At 31 October 2024	<u>*</u>	<u>(695,258)</u>	<u>(695,258)</u>
<i>(Unaudited)</i>			
At 1 January 2023	*	(112,615)	(112,615)
Change in equity for the period:			
Profit and total comprehensive income for the period	<u>*</u>	<u>982</u>	<u>982</u>
At 31 October 2023	<u>*</u>	<u>(111,633)</u>	<u>(111,633)</u>

* Represents amount of less than \$1,000

The accompanying notes form part of the Historical Financial Information.



NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Solution Right Limited (the “**Target Company**”) was incorporated in the British Virgin Islands (“**BVI**”) on 19 July 2023 as an exempted company with limited liability under the BVI Business Companies Act 2004. The registered office of the Target Company is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Target Company is an investment holding company and has not carried out any business operations since the date of its incorporation. The Target Company and its subsidiaries (together, “**the Target Group**”) are principally engaged in property development.

On 31 July 2023, the Target Company acquired Far Union Investment Limited and Ever East Investment Limited from Kinsford International Limited (“**Kinsford**”) (the “**Reorganisation**”), upon which the Target Company became the holding company of the companies which, together with the Target Company, comprises the Target Group. The companies now comprising the Target Group are under the common control of Kinsford immediately before and after the Reorganisation. The control was not transitory and consequently, the Reorganisation is regarded as a business combination under common control.

For the purpose of this report, the Historical Financial Information has been prepared by including the financial information of the companies now comprising the Target Group, which were under the common control of Kinsford, as if the current group structure had been in existence throughout the periods presented, or since the date when the combining entities first came under the control of Kinsford, whichever is a shorter period. The assets and liabilities of the combining entities were consolidated using the existing book values from Kinsford’s perspective.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

Up to and including the date of this report, no audited financial statements have been prepared for the Target Company as it is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

As at the date of this report, the Target Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Target Company	Held by the subsidiary		
True Lead Developments Limited	BVI 19 July 2023	US\$1	100%	—	Investment holding	note (i)
Far Union Investment Limited (note (ii))	Hong Kong 15 October 2010	HK\$1	—	100%	Property development	W. M. Sum & Co.
Ever East Investment Limited (note (ii))	Hong Kong 4 January 2021	HK\$1	—	100%	Property development	W. M. Sum & Co.

Notes:

- (i) The entity is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.



- (ii) The financial statements of these entities were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and HKFRS-SME and have been audited by W.M. Sum & Co., for the years ended 31 December 2021, 2022 and 2023.

All companies now comprising the Target Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Further details of the material accounting policies adopted are set out in note 2.

The HKICPA have issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2024. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 17.

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

The accounting policies set out below have been applied consistently to the Relevant Periods presented in the Historical 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.

2 MATERIAL ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that investment properties are stated at their fair value as explained in the accounting policy set out in note 2(d).

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.



(c) Subsidiaries

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Target Company's statement of financial position, its investments in subsidiaries are stated at cost less impairment losses (see note 2(e)(ii)), unless the investment is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting date and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(j)(i).

(e) Trade and other receivables

(i) Credit losses from financial instruments

A receivable is recognised when the Target Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses.

The loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses ("ECLs"), which are those losses that are expected to occur over the expected life of the trade receivables. The loss allowance is estimated using a provision matrix based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For other receivables, the Target Group recognises loss allowances equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Target Group recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.



(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the interests in subsidiaries in the Target Company's statement of financial position may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(f) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoiced amounts.

(g) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Target Group recognises the related revenue (see note 2(j)). A contract liability would also be recognised if the Target Group has an unconditional right to receive non-refundable consideration before the Target Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(e)(i)).

(h) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in the statement of profit or loss and other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in the statement of profit or loss and other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years/periods.



Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(d), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(i) Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(j) Revenue and other income

Income is classified by the Target Group as revenue when it arises from Target Group's assets under leases in the ordinary course of the Target Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Target Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Target Group's revenue and other income recognition policies are as follows:

- (i) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payment that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.
- (ii) Income from forfeited deposits is recognised in profit and loss in the period when such deposits are forfeited pursuant to the agreements.
- (iii) Sundry income is recognised in profit and loss in the period when it is earned.



(k) Related parties

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

3 CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Target Group's accounting policies, management has made the following judgement:

Valuation of investment properties

As described in note 10, investment properties are stated at fair value based on the valuation performed by a firm of professional surveyors.

The fair value of investment properties is valued by estimating the fair value of such properties as if it was completed in accordance with relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

4 REVENUE

The principal activity of Target Group is property development. Revenue represents gross rental income earned under the scope of HKFRS 16, *Leases*.



5 OTHER INCOME

	For the year ended 31 December			For the ten months ended 31 October	
	2021	2022	2023	2023	2024
	\$'000	\$'000	\$'000	\$'000	\$'000
				<i>(Unaudited)</i>	
Forfeited deposits	—	—	48	—	—
Sundry income	—	—	—	—	650
	<u>—</u>	<u>—</u>	<u>48</u>	<u>—</u>	<u>650</u>

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):

	For the year ended 31 December			For the ten months ended 31 October	
	2021	2022	2023	2023	2024
	\$'000	\$'000	\$'000	\$'000	\$'000
				<i>(Unaudited)</i>	
(a) Operating and other expenses					
Building management fee	588	579	616	580	—
Building administration fee	84	87	80	—	—
Government rent and rates	287	340	572	572	650
Security charges	229	229	330	198	616
Rental commission	133	21	159	148	74
Repairs and maintenance	126	110	17	17	53
Professional fee	27	27	50	8	42
Bad debt written off	—	—	11	11	344
Cleaning fee	—	10	—	—	71
Servicing fee	54	—	—	—	45
Others	27	26	70	43	91
	<u>1,555</u>	<u>1,429</u>	<u>1,905</u>	<u>1,577</u>	<u>1,986</u>
(b) Other items					
Auditors' remuneration	21	23	23	—	—
(Rentals receivable from investment properties less direct outgoings)/direct outgoings in excess of rentals receivable from operating leases	<u>(1,608)</u>	<u>97</u>	<u>(1,909)</u>	<u>(2,073)</u>	<u>26</u>



7 INCOME TAX

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income

Pursuant to the rules and regulations of the BVI, the Target Group is not subject to any income tax in the BVI.

No provision has been made for Hong Kong Profits Tax as the Target Group has sufficient accumulated tax losses to offset the assessable profits during the years ended 31 December 2021 and 2023. No provision has been made for Hong Kong Profits Tax as the Target Group has no assessable profits arising in or derived from Hong Kong during the year ended 31 December 2022 and the period ended 31 October 2024.

(b) Reconciliation between tax expense and profit/(loss) before taxation and applicable tax rates:

	For the year ended 31 December			For the ten months ended 31 October	
	2021	2022	2023	2023	2024
	\$'000	\$'000	\$'000	\$'000	\$'000
				(Unaudited)	
Profit/(loss) before taxation	<u>109,382</u>	<u>(33,533)</u>	<u>(421,567)</u>	<u>982</u>	<u>(161,076)</u>
Notional tax on profit/(loss) before taxation calculated at 16.5%	18,048	(5,533)	(69,559)	162	(26,578)
Tax effect of non-deductible expenses	—	5,354	69,698	6	26,617
Tax effect of non-taxable income	(17,939)	—	—	—	(82)
Tax effect of unrecognised temporary differences	(10)	(8)	(12)	(8)	(3)
Tax effect of current year's tax loss not recognised	35	187	24	19	46
Tax effect of prior year's unrecognised tax loss now utilised	<u>(134)</u>	<u>—</u>	<u>(151)</u>	<u>(179)</u>	<u>—</u>
Tax expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(c) Deferred tax assets not recognised:

The Target Group has not recognised deferred tax assets of \$35,573,981, \$35,760,382, \$29,319,804, and \$29,362,494 in respect of accumulated tax losses of \$215,599,887, \$216,729,587, \$177,695,781 and \$177,954,508 for the years ended 2021, 2022 and 2023, and ten months ended 31 October 2024 respectively as the availability of future taxable profits against which the assets can be utilised is uncertain at each of the year/period end. The tax losses do not expire under current tax legislation.

8 DIRECTORS' EMOLUMENTS

During the Relevant Periods, no directors' fees, salaries, allowances and benefits in kind, discretionary bonuses, and retirement scheme contributions were paid/payable to the directors of the Target Company.



9 INVESTMENT IN SUBSIDIARIES

As at the date of this report, particulars of the subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation	Particulars of issued capital	Effective interest	Proportion of ownership interest		Principal activities	Name of statutory auditor
				Held by the Target Company	Held by the Target Company's subsidiary		
True Lead Developments Limited	BVI 19 July 2023	US\$1	100%	100%	—	Investment holding	—
Far Union Investment Limited	Hong Kong 15 October 2010	HK\$1	100%	—	100%	Property development	W. M. Sum & Co.
Ever East Investment Limited	Hong Kong 4 January 2021	HK\$1	100%	—	100%	Property development	W. M. Sum & Co.

10 INVESTMENT PROPERTIES

\$'000

Valuation:

At 1 January 2021	1,452,000
Additions	34,278
Surplus on revaluation	<u>108,722</u>
At 31 December 2021 and 1 January 2022	1,595,000
Additions	20,451
Deficit on revaluation	<u>(32,451)</u>
At 31 December 2022 and 1 January 2023	1,583,000
Additions	6,974
Deficit on revaluation	<u>(422,374)</u>
At 31 December 2023 and 1 January 2024	1,167,600
Additions (note)	618,499
Deficit on revaluation	<u>(161,311)</u>
At 31 October 2024	<u><u>1,624,788</u></u>

Note: The amount mainly comprises the consideration of HK\$560,414,000 paid by the Target Group upon completion of the Compulsory Sale.



(a) **Fair value measurement of investment properties**

(i) ***Fair value hierarchy***

The following table presents the fair value of the Target Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The fair values of the Target Group's investment properties measured using Level 3 inputs.

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Target Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Target Group's investment properties were revalued as at 31 October 2024, 31 December 2023, 2022 and 2021. The valuations as of 31 October 2024 and 31 December 2023 were conducted by the firm of professional surveyors, Cushman & Wakefield Limited. The valuations as of 31 December 2022 and 2021 was conducted by Henderson Valuation and Agency Limited. Both firms have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

The Target Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and accessing the reasonableness of property valuation. Such valuation is performed at each annual reporting date and is reviewed and approved by senior management.

(ii) ***Information about Level 3 fair value measurements***

Valuation techniques		Unobservable input on the estimated project costs to completion \$'000
Investment properties — office	Residual approach	2024: \$641,000
		2023: \$600,000
		2022: \$597,000
		2021: \$539,000

The fair value of investment properties is determined on redevelopment basis and by taking in account the fair value of the completed investment properties (based on market approach) and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

The movements during the year in the balance of Level 3 fair value measurements are set out in note 10(a).



Fair value adjustment of investment properties is recognised in the line item “Increase/(decrease) in fair value of investment properties” on the face of the consolidated statements of profit or loss and other comprehensive income.

- (c) Investment properties are situated in Hong Kong and are held under medium term leases.
- (d) The Target Group leases out investment properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	For the year ended 31 December			For the ten months ended 31 October	
	2021 \$'000	2022 \$'000	2023 \$'000	2023 \$'000	2024 \$'000
				(Unaudited)	
Within 1 year	<u>289</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

11 PREPAYMENTS

The prepayments represented stamp duty and building order costs refundable upon redevelopment of properties.

12 AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The amount due to an intermediate holding company is unsecured, interest-free and has no fixed terms of repayment. The balance is not expected to be settled within one year after the end of the reporting period.



13 CAPITAL, RESERVE AND DIVIDENDS

(a) Capital

For the purpose of this report, capital of the Target Group as at 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023 represented the combined capital of Far Union Investment Limited and Ever East Investment Limited. Upon incorporation of the Target Company and completion of the Reorganisation, the capital of the Target Group represented the issued share capital of the Target Company.

	No. of share	Amount US\$	Amount \$
Issued and fully paid:			
At 19 July 2023 (date of incorporation),			
31 December 2023, 1 January 2024			
and 31 October 2024	<u>1</u>	<u>1</u>	<u>8</u>

(b) Movements in component of equity

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's individual components of equity between the beginning and the end of the period/year are set out below:

	Share capital \$'000	Accumulated losses \$'000	Total \$'000
At 19 July 2023 (date of incorporation)	*	*	*
Change in equity for the year:			
Loss and total comprehensive income for the year	<u>—</u>	<u>*</u>	<u>*</u>
At 31 December 2023 and 1 January 2024	*	*	*
Change in equity for the period:			
Loss and total comprehensive income for the period	<u>—</u>	<u>(18)</u>	<u>(18)</u>
At 31 October 2024	<u>*</u>	<u>(18)</u>	<u>(18)</u>
<i>(Unaudited)</i>			
At 19 July 2023 (date of incorporation)	*	—	*
Change in equity for the period:			
Loss and total comprehensive income for the period	<u>—</u>	<u>(18)</u>	<u>(18)</u>
At 31 October 2023	<u>*</u>	<u>(18)</u>	<u>(18)</u>

* Represents amount of less than \$1,000

(c) Dividends

The directors do not recommend the payment of dividend for each of the years ended 31 December 2021, 2022 and 2023 and the period ended 31 October 2024.



(d) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and by securing access to finance at a reasonable cost. As the Target Group is part of a larger group, the Target Group's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Target Group defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Target Group as capital.

The Target Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Target Group belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Target Company or the Target Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Target Group. The results of the directors' review of the Target Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The Target Group was not subject to externally imposed capital requirements during the Relevant Periods.

14 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit and liquidity risks arises in the normal course of the Target Group's business. The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These take into account the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the billing date. Debtors with balances that are more than 60 days past due are generally requested to settle all outstanding balances before any further credit is granted. Normally, the Target Group does not obtain collateral from customers. There is no significant concentration of credit risk within the Target Group.

As at 31 December 2021, 31 December 2022, 31 December 2023 and 31 October 2024, the Target Group considered its exposure to credit risk and ECLs for trade receivables is not significant and did not provide any loss allowance in respect of trade receivables.

(b) Liquidity risk

The Target Group's policy is to regularly monitor its liquidity requirements, including the terms of borrowings from other group companies, to ensure that it maintains adequate committed funding from other group companies to meet its liquidity requirements in the short and longer term.

Given the amount due to an intermediate holding company has no fixed terms of repayment, the earliest settlement dates of the Target Group's financial liabilities at the end of the reporting period are all within one year or on demand and the contractual amounts of the financial liabilities are all equal to their carrying amounts.

(c) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2021, 31 December 2022, 31 December 2023 and 31 October 2024.



15 MATERIAL RELATED PARTY TRANSACTIONS

Apart from the transactions/balances disclosed elsewhere in the Historical Financial Information, the Target Group did not enter into any other material related party transactions during the Relevant Periods.

16 COMPANY-LEVEL STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	At 31 December 2023 \$'000	At 31 October 2024 \$'000
Non-current assets			
Investments in subsidiaries	*	*	*
Amount due from subsidiaries		—	1,067,068
		—	1,067,068
Current liability			
Accrued expenses		—	(8)
Net current liability		—	(8)
Non-current liability			
Amount due to an intermediate holding company		—	(1,067,078)
NET LIABILITY		*	(18)
CAPITAL AND RESERVE	13		
Share capital		*	*
Accumulated losses		—	(18)
TOTAL DEFICIT		*	(18)

* Represents amount of less than \$1,000



17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of new or amended standards, which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates — Lack of exchangeability</i>	1 January 2025
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRSs — Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027
Amendments to HKFRS 10 and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	1 January 2027

The Target Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

SUBSEQUENT FINANCIAL STATEMENTS

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