# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Huabang Technology Holdings Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other registered securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



This circular, for which the directors (the "**Directors**") of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

華邦科技控股有限公司
HUABANG TECHNOLOGY HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3638)**

# (1) MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET COMPANIES; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used on this cover page have the same meaning as defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 24 of this circular.

A notice convening the extraordinary general meeting (the "**EGM**") of the Company to be held on Friday, 6 January 2023 at 11:00 a.m. is set out on pages 158 to 159 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.huabangtechnology.com). Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying proxy form to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. The return of the proxy form will not preclude you from attending and voting in person in the EGM or any adjourned meeting if you so wish.

16 December 2022

**PRECAUTIONARY MEASURES FOR THE EGM**

In view of the ongoing novel coronavirus (COVID-19) outbreak, mass gatherings would potentially impose a significant risk in terms of the spread of the virus. For the safety of the Shareholders, staff and stakeholders, the **Company encourages Shareholders, instead of attending the EGM in person, to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM**, by completing and returning the form of proxy in accordance with the instructions printed thereon. Shareholders and other persons attending the EGM should note that, consistent with the government guidelines for the prevention and control of COVID-19, the Company will implement the following precautionary measures at the EGM to protect the Shareholders and participants attending the EGM from the risk of COVID-19 infection:

(i) At the entrance of the EGM, a compulsory body temperature check will be conducted on every person attending the EGM. Any person with a body temperature of over 37.3 degrees Celsius, or any individual who has any flu-like symptoms or is otherwise unwell will not be admitted to the EGM;

(ii) Seating at the EGM will be arranged so as to allow for appropriate social distancing. As a result, there will be limited capacity for the Shareholders and participants to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding;

(iii) Every attendee is required to wear surgical facial mask at any time within the EGM;

(iv) No corporate gifts will be distributed and no refreshments will be served at the EGM; and

(v) Any person who does not comply with any of the above precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue.

**The Company hereby reminds the Shareholders not to attend the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.**

**For non-registered holders whose Shares are held in the Central Clearing and Settlement System, they are strongly encouraged to vote through HKSCC Nominees Limited by giving instructions to their brokers or custodians.**

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

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|---|---|
| "Acquisition" | the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions set out in the Share Transfer Agreement |
| "Announcement" | the announcement of the Company dated 3 October 2022 in relation to the Acquisition |
| "Annual Report 2022" | the annual report of the Company for the year ended 31 March 2022 published on 28 July 2022 |
| "Articles" | the articles of association of the Company |
| "Board" | the board of Directors |
| "Business Day" | a day (other than a Saturday, Sunday or a public holiday) on which banks are open for business in Hong Kong |
| "Cash Consideration" | the balance of the Consideration in the amount of HK$20 million payable to the Vendor upon Completion |
| "Company" | Huabang Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange |
| "Completion" | completion of the transactions contemplated under the Share Transfer Agreement |
| "Completion Date" | the day that is the 10th Business Day after the day on which the Conditions have been satisfied or waived or such other day as the Purchaser and Vendor may agree |
| "Conditions" | the conditions precedent to the Completion under the Share Transfer Agreement |
| "connected person(s)" | has the meaning ascribed to this term under the Listing Rules |
| "Consideration" | the total consideration of HK$25 million for the sale and purchase of the Sale Shares, settled by the payment of (i) the Earnest Money and (ii) the Cash Consideration, to the Vendor |
| "Director(s)" | the director(s) of the Company |

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| "Earnest Money" | a sum in the amount of HK$5 million paid to the Vendor by the Purchaser on the date of the Share Transfer Agreement as a part of the Consideration |
| "EBITDA" | earnings before interest, taxes, depreciation and amortization |
| "EGM" | the extraordinary general meeting of the Company to be convened and held at 33rd Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong on Friday, 6 January 2023 at 11:00 a.m. to consider, and, if thought fit, approve the Acquisition and the transactions contemplated under the Share Transfer Agreement |
| "Enlarged Group" | the Group as enlarged by the Target Companies upon Completion |
| "Group" | the Company and its subsidiaries |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Shareholders" | Shareholders (excluding the Vendor) who are not required to abstain from voting in the relevant resolution(s) to be proposed in the EGM in relation to the Share Transfer Agreement and the transactions contemplated thereunder |
| "Independent Third Party(ies)" | third party(ies) independent of and not connected with the Company and its connected persons |
| "Latest Practicable Date" | 12 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| "Legend" or "Target Company II" | Legend International Food Limited (嶺進國際食品有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendor prior to Completion |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Placing" | the placing of 87,684,000 Shares by the Company pursuant to the terms of the Placing Agreement, details of which were published in the Company's announcements dated 24 August 2022 and 19 September 2022 |

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| "Placing Agreement" | the conditional placing agreement entered into between the Company and Huabang Securities Limited, being an indirect wholly-owned subsidiary of the Company, dated 24 August 2022 in relation to the Placing |
| "PRC" | the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan |
| "Purchaser" | Excel Goal Limited 連創有限公司, a company incorporated under the laws of the Hong Kong with limited liability, and is indirect wholly-owned by the Company |
| "Sale Shares" | 10,000 ordinary shares in each of the Target Companies, representing 100% of the issued shares of the Target Companies as at the date of the Share Transfer Agreement |
| "Shag Mei" or "Target Company I" | Shag Mei International Food Limited (正味國際食品有限公司) , a company incorporated in Hong Kong with limited liability and is wholly-owned by the Vendor prior to Completion |
| "Share(s)" | ordinary share(s) of HK$0.008333 each in the share capital of the Company |
| "Share Transfer Agreement" | the share transfer agreement dated 3 October 2022 entered into between the Purchaser and the Vendor in relation to the Acquisition |
| "Shareholder(s)" | the holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Target Companies" | Shag Mei International Food Limited 正味國際食品有限公司 and Legend International Food Limited 嶺進國際食品有限公司, companies incorporated under the laws of Hong Kong with limited liability and each of which is wholly-owned by the Vendor prior to Completion |
| "Valuation" | the valuation conducted by the Valuer to ascertain the fair value of 100% equity interests of the Target Companies as of 31 July 2022 |
| "Valuation Report" | the valuation report prepared by the Valuer in respect of the value of the Target Companies as at 31 July 2022 as set out in "Appendix V – Valuation Report of the Target Companies" to this circular |
| "Valuer" | AVISTA Valuation Advisory Limited, an independent valuer appointed by the Company |

| | |
|---|---|
| "Vendor" | Mr. Lin Ruiping (林瑞平) |
| "%" | per cent. |

華邦科技控股有限公司
HUABANG TECHNOLOGY HOLDINGS LIMITED
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock code: 3638)**

*Executive Director:*
Mr. Qu Hongqing

*Independent Non-Executive Directors:*
Mr. Loo Hong Shing Vincent
Mr. Zhu Shouzhong
Mr. Li Huaqiang

*Registered office:*
PO Box 309, Ugland House,
Grand Cayman,
KY1-1104,
Cayman Islands

*Head office and principal place of business in Hong Kong:*
33rd Floor, Enterprise Square Three,
39 Wang Chiu Road, Kowloon Bay,
Kowloon, Hong Kong

16 December 2022

*To the Shareholders*

Dear Sir or Madam,

**(1) MAJOR TRANSACTION
IN RELATION TO ACQUISITION OF
THE TARGET COMPANIES; AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

## 1. INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition.

On 3 October 2022 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Companies, at the total consideration of HK$25 million which will be settled by the payment to the Vendor of the Earnest Money and the Cash Consideration.

The purpose of this circular is to provide you with, among other matters: (i) further details of the Acquisition; (ii) financial information of the Group; (iii) the Accountant's Report on the financial information of the Target Companies; (iv) unaudited pro forma financial information of the Enlarged Group; (v) Valuation Report; (vi) other information as required under the Listing Rules; and (vii) the notice of EGM.

## 2. THE SHARE TRANSFER AGREEMENT

**Date**

3 October 2022 (after trading hours)

**Parties**

(i) the Purchaser, a wholly-owned subsidiary of the Company; and

(ii) the Vendor, being the sole legal and beneficial owner of the Target Companies.

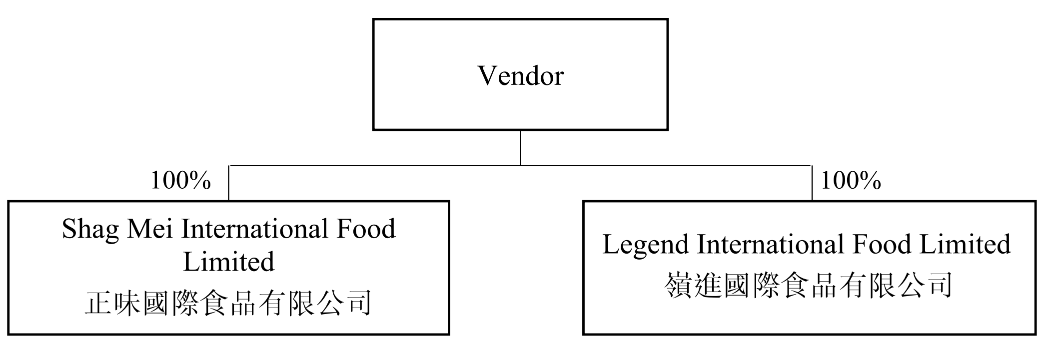
To the best of the Directors' knowledge, as at the Latest Practicable Date, the Vendor held 47,184,000 Shares, representing approximately 8.97% of the total number of issued Shares. The Vendor is not a connected person of the Company, and save as aforesaid, is an Independent Third Party of the Company.

**Assets to be acquired**

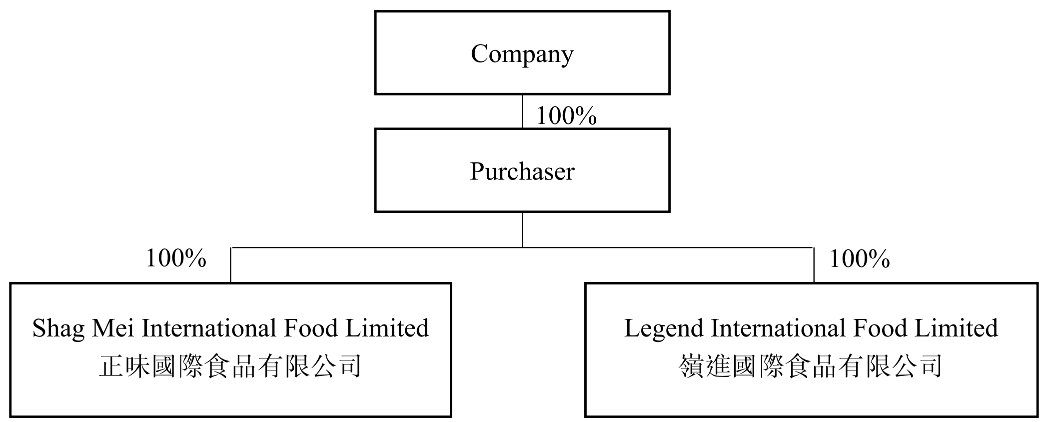
Pursuant to the Share Transfer Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 100% of the entire issued shares of the Target Companies as at the date of the Share Transfer Agreement.

Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company.

Set out below is a corporate structure chart showing the structure of the Target Companies immediately before Completion:



Set out below is a simplified corporate structure chart showing the structure of the Group (including the Target Companies) immediately after Completion:




**Consideration**

The consideration for the Sale Shares is HK$25 million, which will be satisfied by the Purchaser paying the Vendor (i) Earnest Money in the amount of HK$5 million on the date of the Share Transfer Agreement and (ii) the Cash Consideration in the amount of HK$20 million upon Completion. The Earnest Money has been paid by the Purchaser to the Vendor on 3 October 2022.

The Earnest Money is returnable to the Purchaser by the Vendor (without interest) upon the termination of the Share Transfer Agreement if any of the Conditions is not satisfied (or waived, if applicable) on or before 150 days after the date of the Share Transfer Agreement (or such other dates as the parties may agree), and shall be returned to the Purchaser immediately upon the termination of the Share Transfer Agreement.

The Consideration has been arrived at between the parties after arm's length negotiations, taking into account (i) the Valuation, (ii) the net asset value of the Target Companies, (iii) the audited financial results of the Target Companies for the year ended 31 March 2022 and the management accounts for the period from 1 April to 31 July 2022, and (iv) the future prospects of the principal business of the Target Companies.

Based on the Target Companies' financial information for the year ended 31 March 2022 (the latest available audited financial information in accordance with Small and Medium-sized Entity Financial Reporting Standard ("**SME-FRS**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the Target Companies), the total net asset value, earnings and EBITDA was HK$2.9 million, HK$3.8 million and HK$5.4 million, respectively. Given the consideration of HK$25 million, this results in a price-to-net asset value ratio of 9x, price-to-earnings ratio of 7x, and price-to-EBITDA ratio of 5x in respect of the Target Companies.

The Consideration is at a discount of 50% to the fair value of the Target Companies based on the Valuation, further details of which are set out under the section titled "3. VALUATION" below. The Valuation was not a feature of the negotiations between the Company and the Vendor, and was above the negotiated price between the parties. It supports that the acquisition of the Target Companies was not over-priced.

The Board had also considered the Target Companies' net asset value, price-to-net asset value ratio, price-to-earnings ratio and price-to-EBITDA ratio when negotiating the price for the business carried out by the Target Companies.

Based on the Target Companies' financial information for the year ended 31 March 2022, the total net asset value, earnings and EBITDA was HK$2.9 million, HK$3.8 million and HK$5.4 million, respectively. Given the Consideration of HK$25 million, this results in a price-to-net asset value ratio of 9x, price-to-earnings ratio of 7x, and price-to-EBITDA ratio of 5x in respect of the Target Companies.

Taking the above ratios into account (among other things), the Board takes the view that the Consideration of HK$25 million was commensurate with the value and benefit attributable to the business operated by the Target Companies.

The Consideration will be settled by the internal resources of the Group.

**Conditions precedent**

Completion of the Share Transfer Agreement is conditional upon fulfillment of the following Conditions:

(a) there being no material adverse impact on the financial, business and trading positions of the Target Companies, or assets, liabilities, profitability or prospects of the Target Companies, or an event reasonably likely to result in such a material adverse impact, during the period from the date of the Share Transfer Agreement to the Completion Date;

(b) the Purchaser being reasonably satisfied with the due diligence results in relation to, *inter alia*, the legal, finance, taxation, business, rights to its assets and other aspects of the Target Companies;

(c) the Company obtaining all necessary approvals required under the Listing Rules in connection with the transactions under the Share Transfer Agreement (including the approval by the Shareholders);

(d) there being no law in effect or otherwise precluding or prohibiting the completion of any transaction contemplated under the Share Transfer Agreement or rendering it illegal or has a material adverse impact on the Purchaser or any of the Target Companies on the Completion Date;

(e) obtaining all other necessary or appropriate consents and approvals in respect of the Share Transfer Agreement and the transactions contemplated under it;

(f) the Purchaser having obtained the audited accounts for each of the Target Companies for the period between 1 April and 31 July 2022 to its reasonable satisfaction; and

(g) none of the Vendor's warranties was discovered (or as the result of the occurrence of any event) to be untrue, incorrect or misleading on the Completion Date.

As at the Latest Practicable Date, Condition (f) as stated above has been satisfied.

If any Condition has not been satisfied or waived by the Purchaser on or before 2 March 2023 (being 150 days after the date of the Share Transfer Agreement) or such other date as the parties may agree:

(i) and any Condition(s) under (a), (b), (f) or (g) referred to in the above is not satisfied nor waived, then the Purchaser may elect to continue or terminate the Share Transfer Agreement; and

(ii) in any other case, the Share Transfer Agreement shall lapse (save for the return of the Earnest Money by the Vendor and the confidentiality provisions) and no party shall make any claim against the other in respect thereof, save for any antecedent breach and the return of the Earnest Money.

**Completion**

Completion shall take place on the Completion Date, being the 10th Business Day after the day on which the Conditions have been satisfied or waived or such other day as the parties may agree.

## 3. VALUATION

The Company engaged the Valuer to appraise the value of the Target Companies, the details of which are set out in "Appendix V – Valuation Report of the Target Companies".

According to the Valuation Report prepared by the Valuer, the fair value of 100% equity interest in the Target Companies as at 31 July 2022 ("**Valuation Date**") was approximately HK$49,704,000. The fair value under the Valuation Report was determined using the market approach which reflects market expectations in the corresponding industry as the price multiples of the comparable companies were derived from market consensus.

Under such method, the Valuer first assessed the value of 100% enterprise value of the Target Companies based on the total EBITDA of the Target Companies for the year ended 31 March 2022 (being the latest available audited financial information of the Target Companies), and the enterprise value-to-

EBITDA ("**EV/EBITDA**") multiples (after adjustments for lack of marketability discount and control premium, explained further below) from an exhaustive list of comparable companies identified by the Valuer based on the following principal selection criteria:

(i) being engaged in principal business similar to that of the Target Companies, i.e. distribution of food products;

(ii) principal activities mainly conducted in Asia or the PRC or Hong Kong;

(iii) being listed on the Stock Exchange; and

(iv) financial information of which being available to the public.

**Selection of comparable companies**

Based on the discussion with the Valuer, the Board is given to understand that, during the search process for comparable companies, the business scope of trading of frozen food products in Hong Kong resulted in only limited number of comparable companies with positive EBITDA.

The Valuer considered that the multiple derived based on the search criteria may not be representative of the Valuation. Therefore, the Valuer expanded the search criteria of comparable companies to those (i) principally engaged in distribution of food products (which would share a similar business model in a similar industry compared to the Target Companies), and (ii) principal activities conducted in Hong Kong, the PRC or Asia which are geographically close to Hong Kong.

The Valuer considers the expansion of search criteria in such circumstances as generally accepted market practice.

The Board has discussed with the Valuer on the selection criteria and assessed the appropriateness of the comparable companies selected. Based on the information available, the Valuer has researched and studied public companies in different stock exchanges, which have the majority of their revenue attributable to distribution of food products. The Board considers that, based on the representations and steps taken by the Valuer, the comparable companies chosen would represent an exhaustive list of companies publicly available which are comparable and meet all of the selection criteria stated above.

**EBITDA of the Target Companies**

For the purpose of calculating the EBITDA of the Target Companies and the comparable companies, loss on written off of property, plant and equipment has been excluded as it is considered as a one-off expense related to a relocation of office in 2021 and not related to the performance of the underlying business operations of the Target Companies. The Valuer considers such exclusion is generally accepted in market practice. The loss on written off of property, plant and equipment recognized by the Target Companies, which has been excluded from the calculation of the EBITDA of the Target Companies for the year ended 31 March 2022, amounted to approximately HK$1.31 million.

**Selection of EV/EBITDA multiple**

The Valuer considers EV/EBITDA multiple, which eliminates the differences in capital structure, taxation and depreciation and amortization methods across different comparable companies, to be an appropriate indicator of the fair value of the Target Companies and is generally accepted in valuation of companies in the industry of the Target Companies.

**Lack of Marketability Discount**

In the Valuation, the Valuer applied a Lack of Marketability Discount ("**LOMD**") of 20.6% on the EV/EBITDA multiple, to adjust the multiple from a marketable basis to a non-marketable basis. The report "Stout Restricted Stock Study Companion Guide (2021 edition)" by Stout Risius Ross, LLC, a reputable research company, suggested a marketability discount is 20.6%. The discount rate is based on 763 private placement transactions of unregistered common issued by publicly traded companies from July 1980 through December 2020. The Valuer considers such marketability discount is generally accepted in market practice to adjust the difference in multiple of listed comparable companies and unlisted Target Companies.

**Control Premium**

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in any particular company. The EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such EV/EBITDA multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value. The control premium of 26.5% adopted by the Valuer represents the overall median control premium suggested in the report "Control Premium Study: 1st Quarter 2022" published by FactSet Mergerstat, LLC, a reputable research company. The Valuer considers such control premium suggested by the report is generally accepted in market practice to adjust the difference in multiple of the minority equity value and the controlling stake.

**Valuation of Target Companies**

After determining the value of 100% enterprise value of the Target Companies as set out above, the Valuer then assessed the value of 100% equity interest in the Target Companies by (i) adding cash and cash equivalents of the Target Companies and (ii) deducting interest-bearing debt (if any) from the aforesaid enterprise value.

**Assumption**

The Valuer has made a number of general assumptions in arriving at the Valuation. The key assumptions adopted include:

- there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Companies; and

- there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, the Valuer assumes no responsibility for changes in market conditions after the Valuation Date.

**The Board's view**

Having considered the above and based on the input from the Valuer, the Board considers that (a) as a more stringent selection criteria for comparable companies was not possible, the selected comparable companies are suitable for the purposes of the Valuation, (b) the assumption adopted for the Valuation are reasonable in the circumstances, given (i) the LOMD applied to adjust for the difference in value between listed and unlisted businesses, and (ii) the aforesaid difficulty with a precise selection of comparable companies.

## 4. INFORMATION OF THE GROUP

The Group is principally engaged in (i) trading business (including the trading of computer and peripheral products and electronics products) and (ii) financial services business.

The Board has no intention or definitive plans to conduct further fundraising as of the Latest Practicable Date. Depending on market sentiment, the Company may conduct debt and/or equity fund raising exercises should suitable fund raising opportunities arise.

## 5. INFORMATION OF THE PURCHASER

The Purchaser, an indirect wholly-owned subsidiary of the Company, was incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

## 6. INFORMATION OF THE TARGET COMPANIES

The Target Companies are companies incorporated under the laws of the Hong Kong with limited liability.

As at the date of the Share Transfer Agreement, the Vendor is the director and sole legal and beneficial owner of all the issued shares of the Target Companies. The Vendor will resign as a director of each of the Target Companies upon Completion.

The management team of the Target Companies comprise of the general manager and three sales associates, who are responsible for the operation and generating sales for the Target Companies' products. The management team has been employed by the Target Companies since 2018 and it is expected that they will remain with the Target Companies following Completion.

The principal business of the Target Companies is the trading in frozen food products. The Target Companies are established frozen food products trading companies in Hong Kong with extensive experience in the industry. It supplies a diverse and wide range of frozen food products in different product categories to a customer base of over 300 customers.

The business model of the Target Companies comprises of sourcing frozen food products including whole and cut salmon fishes, scallop, eel, sea cucumber, yellowtail fillet, wagyu beef, lamb and other frozen seafood and meat etc., from overseas and local suppliers, and selling them to customers in Hong Kong (including local restaurants and supermarkets). The whole salmon fishes are directly sourced from Norway which could also be cut and packaged into smaller pieces or tailored-made sizes in accordance with customers' request.

**Food sourcing**

The Target Companies source food products from suppliers overseas and locally. The Target Companies had over 20 suppliers located in Hong Kong and Norway, and the Target Companies sold their food products to a customer base of over 300 customers, including restaurants/catering service providers, resellers and retailers (such as supermarkets and department chain stores).

**Food processing**

Subsequent to sourcing whole salmon fishes from the suppliers, the Target Companies can process the fish into smaller pieces of different sizes in accordance with the customers' requirements. The processed fish are sold to the Target Companies' customers thereafter.

The Target Companies have established their own food processing and cold-storage facility. The food processing involves slicing, trimming, cutting and packaging of salmon fish in accordance with the specifications, such as thickness, size, weight and quantity as required by their customers to cater to their specifications and orders.

**Products**

The Target Companies supplies a diverse and wide range of frozen food products including whole and cut salmon fishes, scallop, eel, sea cucumber, yellowtail fillet, wagyu beef, lamb and other frozen seafood and meat etc.

**Customers**

The Target Companies' customers include (i) local restaurants/catering service providers, (ii) resellers (sales of products to customers who are principally engaged in the bulk purchase of various goods and food products not for own consumption but for further onward selling opportunities) and (iii) retailers (sales of products to customers who are principally engaged in selling food products to household consumers, such as supermarket and department chain stores).

Legend holds a Food Factory License issued by the Food and Environmental Hygiene Department of Hong Kong to facilitate the operation of the Target Companies' business described above.

**Risk factors in respect of the Target Companies' business**

The business, operations, financial condition or results of operations of the Target Companies could be materially and adversely affected by a number of risks (in addition to any risks and uncertainties that are not presently known or those that become material in the future). They include the following:

1. ***Reliance on suppliers' ability to duly perform their obligations to supply products to the Target Companies and business relationship with suppliers.***

The Target Companies sourced all of its frozen food products for sale to their customers from independent suppliers. They rely on the ability and efficiency of suppliers to supply the required quantities of products to customers. Therefore, suppliers play a vital role in their frozen food import and wholesale business.

However, the Target Companies did not enter into long-term supply contracts with their suppliers and generally transacted with them on a per purchase basis. Although the management team monitors business connection with each of their suppliers, there is no assurance that suppliers will continue to supply products to the Target Companies with desired quality and in required quantities, in a timely manner and on terms commercially acceptable to the Target Companies.

Any disruption to suppliers' business may have an impact on their ability to supply products in line with the required schedule. Failure to maintain relationships with major suppliers, or inability to obtain products from alternative sources on a timely basis or on commercially reasonable terms could prevent the Target Companies from timely delivering products to customers in the required quantities, which could have a material adverse effect on their business, results of operations and financial condition.

2. ***Increase in the costs of products purchased from suppliers may materially affect the Target Companies' operational performance***

A rise in the purchase costs of products may be the result of various external factors, such as fluctuations in weather, seasonality, fluctuations in costs of food caused by supply and demand and other economic conditions that may adversely affect the cost, availability and quality of food ingredients. If the Target Companies are unable to obtain the requisite quantities of products at commercially reasonable prices in accordance with customers' requirements, business could be adversely affected. In the event that the purchase costs of products from suppliers increase in the future and the inability of the Target Companies to pass these cost increases onto customers immediately, the operational performance of the Target Companies may also be affected.

3. ***The Target Companies' business and reputation may be affected by product liability claims, food safety concerns, litigation, customer complaints, product tampering, quality control concerns or adverse publicity to their products.***

As the Target Companies are not involved in the manufacturing or harvesting of the products they sell, they do not have direct control over the quality of the products. The sale of products involves an inherent risk of products being found to be unfit for human consumption or causing illness. Frozen food products may be rendered unfit for consumption due to product contamination or degeneration, illegal tampering by unauthorised third parties or other problems arising due to various stages of procurement, production, transportation and storage. The Target Companies cannot guarantee that suppliers are in full compliance with all the relevant health and safety standards, licencing or permits requirements, customs clearance and quality control measures in such processes before the supply of products to the Target Companies.

4. ***Fragmentation of the frozen seafood import and wholesale industry in Hong Kong could increase competition in industry that may affect financial performance***

In terms of market risks, the frozen food import and wholesale industry is fragmented in Hong Kong. The Target Companies compete in the frozen food import and wholesale industry for both supply of products by suppliers and provision of products to customers. There is no guarantee that the Target Companies will be able to maintain competitive in the future as the industry trends evolve and as the market changes, particularly in the face of competition stemming from existing competitors. Some of the competitors may have advantages over the Target Companies, in terms of operating history, product portfolio, reputation, financial resources, sourcing and distribution network. Apart from existing competitors, in view of the increasing awareness and acceptance of online distribution options (for instance, business-to-business and business-to-customers platforms), the Target Companies may also compete with new types of competitors which operate under a different business model and are capable of offering products with relatively lower selling prices to customers as such business model would be able to reduce the reliance of different intermediaries in the supply chain.

**Financial information of the Target Companies**

Set out below is the summary of the key financial data extracted from the audited accounts of the Target Companies for the year ended 31 March 2021 and 31 March 2022:

| | **For the year ended 31 March 2022** | |
|---|---|---|
| | **Shag Mei International Food Limited** | **Legend International Food Limited** |
| | Audited | Audited |
| | *HK$'000* | *HK$'000* |
| Net profit before taxation | 5,080 | 114 |
| Net profit after taxation | 4,364 | 80 |

| | For the year ended 31 March 2021 | |
|---|---|---|
| | **Shag Mei International Food Limited** | **Legend International Food Limited** |
| | Audited | Audited |
| | *HK$'000* | *HK$'000* |
| Net profit before taxation | 3,687 | 1,226 |
| Net profit after taxation | 3,295 | 1,090 |

| | As at 31 March 2022 | |
|---|---|---|
| | **Shag Mei International Food Limited** | **Legend International Food Limited** |
| | Audited | Audited |
| | *HK$'000* | *HK$'000* |
| Total assets | 22,468 | 7,391 |
| Net assets | 3,134 | (667) |

| | As at 31 March 2021 | |
|---|---|---|
| | **Shag Mei International Food Limited** | **Legend International Food Limited** |
| | Audited | Audited |
| | *HK$'000* | *HK$'000* |
| Total assets | 24,227 | 1,718 |
| Net assets | 5,770 | (747) |

**Trading business of the Group and the Target Companies'**

While the Group's existing business and the Target Companies' business both involve the trading of products, there are certain differences between the two. Below is a table outlining the key differences between the business of the Target Companies and the trading business of the Group:

| | **Target Companies' business** | **Trading business of the Group** |
|---|---|---|
| Consumer | The consumers are mainly:<br><br>(i) local restaurants/catering service providers;<br>(ii) resellers, which sell the products to customers who are principally engaged in the | The consumers are mainly:<br><br>(i) computer and peripheral product manufacturers which use the products of the Group as components, and either manufacture computers on an |

| | Target Companies' business | Trading business of the Group |
|---|---|---|
| | bulk purchase of various goods and food products for further onward selling opportunities but not for their own consumption;<br>(iii) retailers, which sell the products to customers who are principally engaged in selling food products to household consumers such as supermarket and department chain stores. | original-equipment-manufacturer/original-design-manufacturer basis for others or for their own brands; and<br>(ii) trading companies of computer and peripheral products which will generally on-sell the products and goods of the Group to computer manufacturers, distributors and/or third-party retailers. |
| | In terms of seasonality: apart from the increase in demand during traditional holiday seasons, the demand is generally stable. | In terms of seasonality: the traditional peak season for computer and peripheral products is the third and the fourth quarters of each year. This is likely due to an increase in demand for computer and peripheral products around the commencement of schools and during the term time of schools, and during traditional holiday seasons such as Christmas and Lunar New Year. |
| Supplier | Over 20 food product suppliers located in Hong Kong and Norway. | The suppliers are mainly:<br>(i) distributors or agents of well-established DRAM/Flash manufacturers in Korea, Taiwan and Hong Kong; and<br>(ii) trading companies of computer and peripheral products. |
| Geographical market | Hong Kong | Asia, including Hong Kong and the PRC. |

| | Target Companies' business | Trading business of the Group |
|---|---|---|
| Operational risks | *Difference in product liability* | |
| | Frozen food sold is expected to be consumed by people, is inherently perishable and subject to risks related to food safety. Compared to computer and peripheral products, the inherent risk of food products being found to be unfit for human consumption or causing illness (arising for any reason) may cause a significant amount of reputational and operational impact. The Target Companies' existing relationship with customers and suppliers, as well as any of their licence and permits may also be affected by such matters. | Computer and peripheral products are not inherently perishable and while not immune to product liability claims, would appear to be less likely to cause bodily harm as compared to food unfit for consumption. |
| | *Difference in time to perish/obsolescence and cold storage requirements* | |
| | The Target Companies' products requires cold storage and transport solutions to satisfy the relevant food safety standards. They could be kept for sale only if the relevant storage requirements are observed. Any malfunction in the cold storage system (e.g. power outage) or other reasons resulting in non-compliance with relevant standards would result in wasted inventory or potential product liability issue. | Computer and peripheral products are not perishable and do not require cold storage. However, computer and peripheral products may still become obsolete as technology and consumer trend develop and evolve, albeit at a longer timescale as compared to foodstuff. |
| | *Risks arising from the food processing operations* | |
| | The Target Companies' operations include the slicing, trimming, cutting and packaging of fish. These operations could result in inventory waste and also have a higher potential for personal injury | Products sold by the Group's existing trading business do not need to be processed. |

| | Target Companies' business | Trading business of the Group |
|---|---|---|
| | (whether arising from operator error, mechanical fault or other reasons). | |
| Other potential risks | *Requirement for industry knowledge* | |
| | Comparatively, the frozen food market does not require a substantial amount of industry knowledge for market participants to effectively compete. | The competition in the computer and peripherals industry is driven by the development of technology, evolution of industry standards and product life cycle, therefore market participants compete on their experience and industry knowledge, among other things. |
| | *Concentration of customers and supplier* | |
| | There is an abundance of food product suppliers in the market and also a broad customer base, therefore it is relatively easier to locate substitutes for suppliers and customers. | The computer and peripherals industry is dominated by a few well established component manufacturers (e.g. producers of DRAM/flash), which results in easily the affected supply of products can be affected easily, but this also makes it more difficult for new market participants. |
| | *Seasonality of demand* | |
| | Apart from the increase in demand during traditional holiday seasons, the demand is generally stable during the year. | There is a traditional peak season for computer and peripheral products in the third and the fourth quarters of each year. This is likely due to an increase in demand for computer and peripheral products around the commencement of schools and during the term time of schools, and during traditional holiday seasons such as Christmas and Lunar New Year. |

| Target Companies' business | Trading business of the Group |
|---|---|
| *Barrier of entry* | |
| Due to the relatively straightforward nature of trading food products (including the low requirement for industry knowledge and number of existing suppliers), there is a comparatively lower barrier of entry for the trading of frozen food products. | Given the product-specific knowledge required and the concentration of supplier, there is a comparatively higher barrier of entry for new market participants to trade computer and peripheral products. |

## 7. INFORMATION OF THE VENDOR

The Vendor is a merchant resident in Hong Kong. To the best of the Directors' knowledge, as at the Latest Practicable Date, the Vendor held 47,184,000 Shares, representing approximately 8.97% of the total number of issued Shares. To the best of information, knowledge and belief of the Board, the Company did not have any business dealing with the Vendor before the Acquisition, except that the Vendor was one of the placees of the Placing. The Vendor is not a connected person of the Company, and save as aforesaid, is an Independent Third Party of the Company.

## 8. REASONS FOR THE ACQUISITION

The Group is principally engaged in (i) trading business (including the trading of computer and peripheral products and electronics products), and (ii) financial services business (including securities brokerage business, advisory services business and money lending business).

The Group has been actively searching for business opportunities to diversify its business with a view to exploit new business opportunities from time to time, to diversify and broaden revenue sources of the Group and to generate tremendous returns and long-term value for Shareholders, increasing Shareholders' return.

Given: (i) the relative simple nature of the Target Companies' business (being the buying and selling, and occasional repacking, of food products); (ii) the limited expertise required for the operation of the Target Companies' business; (iii) the Target Companies' established operations with existing customers and suppliers; and (iv) the management team of the Target Companies being expected to remain with Target Companies following the Completion, the Board does not consider the Target Companies' business to be complex or difficult to subsume into a part of the Group's trading business.

Further, the Board considers that:

1. The Acquisition will contribute positively to the financial performance and will enlarge and diversify the income sources of the Group, as the Target Companies have recorded a stable revenue and profit in the past 3 years and 4 months (based on the available audited financial information in accordance with SME-FRS issued by HKICPA for the past 3 years and the management accounts for the 4 months). Below are the relevant figures:

   Shag Mei International Food Limited

| | For the year ended 31 March | | | For the period from 1 April to 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *(HK$'000)* | *(HK$'000)* | *(HK$'000)* | *(HK$'000)* |
| Revenue | 96,986 | 101,036 | 106,959 | 43,101 |
| Net profit before taxation | 2,900 | 4,053 | 4,270 | 3,434 |

   Legend International Food Limited

| | For the year ended 31 March | | | For the period from 1 April to 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *(HK$'000)* | *(HK$'000)* | *(HK$'000)* | *(HK$'000)* |
| Revenue | 3,720 | 3,540 | 3,450 | 1,184 |
| Net profit before taxation | 153 | 1,163 | 246 | 362 |

2. The Target Companies' business focuses in Hong Kong and it has been stable during the COVID-19 pandemic since 2020 and does not appear to have been materially impacted by uncertainties in the global economy and the social and economic situation in Hong Kong.

3. These characteristics of the Target Companies' business could supplement the existing businesses of the Group, which has been affected by uncertainties in the global economy as detailed in the Annual Report 2022.

In view of the financial performance of the Target Companies and the Consideration under the Share Transfer Agreement, the Directors consider that the Acquisition represents a good opportunity for the Group to utilize its available capital to generate a diversified stream of returns, enabling the Group to tap into the trading of frozen products.

The Directors are of the view that the terms of the Share Transfer Agreement are fair and reasonable and are on normal commercial terms and the entering into of the Share Transfer Agreement is in the interest of the Company and the Shareholders as a whole, in particular, the Board has taken into account the following:

- the Valuation Report and that the Consideration is lower than the value of the Target Companies as reported in the Valuation Report;
- future prospects of the business operated by the Target Companies' considering their past performance in an unstable economic environment;
- the audited revenue and net profit figures achieved by the Target Companies for each of the years ended 31 March 2020, 2021 and 2022, and the financial figures for the period from 1 April 2022 to 31 July 2022; and
- based on the Consideration, the price-to-net asset value ratio of 9x, price-to-earnings ratio of 7x, and price-to-EBITDA ratio of 5x in respect of the Target Companies.

Given the difference in consumer demand between the Group's current trading business and those operated by the Target Companies, the relatively low operational risk of the Target Companies' business, and the fast-moving nature of the Target Companies' products, the Acquisition would represent an opportunity for the Company to diversify and broaden its revenue streams in a generally straightforward manner, to the benefit of its Shareholders as a whole. The Board also considers that (i) the business of the Target Companies' business is trading in nature, which is broadly similar to the trading business conducted by the Group; and (ii) the Acquisition is in line with the Group's outlook and strategy for its business as disclosed in the Annual Report 2022.

The Company has no additional investment plan concerning the business of the Target Companies as at the Latest Practicable Date. However, depending on market condition, the Board cannot rule out the possibility that the Company will make additional investments into the business of the Target Companies as needed or as suitable opportunities arise.

## 9. FINANCIAL EFFECTS OF THE ACQUISITION

After Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company and their results will be consolidated into the consolidated financial statements of the Group. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, it is expected that upon Completion, the consolidated total assets of the Enlarged Group would increase from approximately HK$481.95 million to approximately HK$525.64 million and the consolidated total liabilities of the Enlarged Group would increase from approximately HK$233.80 million to approximately HK$278.46 million. The consolidated net assets of the Enlarged Group would decrease from approximately HK$248.15 million to approximately HK$247.18 million. The unaudited pro forma financial information was prepared based on the unaudited pro forma statement of assets and liabilities of the Group as if the Acquisition had been completed on 30 September 2022.

The earnings of the Group upon completion of the Acquisitions will include share of the profit and loss of the Target Companies. The Target Companies had recorded net profit for the past three years and 4 months ended 31 July 2022, being HK$2.07 million, HK$4.38 million, HK$4.44 million and HK$3.16 million, respectively. The Directors believe that the Acquisition will broaden the Enlarged Group's source of income.

For further details of the Target Companies, please refer to "Appendix II (A) – Accountant's Report of Shag Mei", "Appendix II (B) – Accountant's Report of Legend" and "Appendix III – Management Discussion and Analysis of the Target Companies" to this circular.

## 10. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 25% but is below 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Acquisition will be subject to the approval by the Independent Shareholders at the EGM. The EGM will be held by the Company for the Shareholders to consider, and if thought fit, to pass the resolution to approve the Share Transfer Agreement and the transactions contemplated thereunder. Pursuant to Rule 2.15 of the Listing Rules, any Shareholder who has a material interest in the Share Transfer Agreement and their close associates shall abstain from voting to approve the Share Transfer Agreement and the transactions contemplated thereunder at the EGM.

To the best of the Directors' knowledge, as at the Latest Practicable Date, the Vendor held 47,184,000 Shares, representing approximately 8.97% of the issued Shares of the Company. The Vendor is not a connected person of the Company, and save as aforesaid, is an Independent Third Party of the Company. Given the Vendor's interest in the Share Transfer Agreement, he is required to abstain from voting in respect of the proposed resolution for approving the Share Transfer Agreement and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, no Shareholder (other than the Vendor) is required to abstain from voting at the EGM.

**Shareholders and potential investors shall note that completion of the Acquisition is subject to the conditions precedent set out in the section headed "*Conditions precedent*" and may or may not materialize. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## 11. EXTRAORDINARY GENERAL MEETING

The notice of the EGM, which contains the ordinary resolution to approve the Acquisition, the Share Transfer Agreement and the transactions contemplated under it is set out on pages 158 to 159 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules and the Articles, any vote of the Shareholders at a general meeting must be taken by poll save that the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular. If you intend to appoint a proxy to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not prevent you from attending and voting at the EGM or any adjourned meeting if you so wish.

The register of members of the Company will be closed from Tuesday, 3 January 2023 to Friday, 6 January 2023 (both days inclusive), for the purpose of determining entitlement of the Company's Shareholders to vote at the EGM. During this period, no share transfer will be registered. In order to qualify for attending and voting at the EGM, all completed share transfer forms, accompanied by the relevant certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m., on Friday, 30 December 2022.

## 12. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer Agreement are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the relevant ordinary resolution regarding the Acquisition at the EGM.

## 13. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular. The English text of this circular shall prevail over the Chinese text.

Yours faithfully,
By Order of the Board
**Huabang Technology Holdings Limited**
**Qu Hongqing**
*Executive Director*

## 1. FINANCIAL INFORMATION

The consolidated financial statements of the Group, for each of the three years ended 31 March 2020, 2021 and 2022 are disclosed in the annual reports of the Company for the financial years ended 31 March 2020 (pages 64 to 186), 31 March 2021 (pages 63 to 194) and 31 March 2022 (pages 69 to 194), respectively, and the unaudited condensed consolidated financial information of the Company for the six months ended 30 September 2022 (pages 2 to 28), and are incorporated by reference into this circular.

The annual reports and interim results announcement have been published and are available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at http://www.huabangtechnology.com:

- Interim results announcement of the Company for the six months ended 30 September 2022 published on 25 November 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1125/2022112500951.pdf);

- Annual report of the Company for the year ended 31 March 2022 published on 28 July 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0728/2022072800461.pdf);

- Annual report of the Company for the year ended 31 March 2021 published on 26 July 2021 (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0726/2021072600599.pdf); and

- Annual report of the Company for the year ended 31 March 2020 published on 21 July 2020 (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0721/2020072100487.pdf).

## 2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 October 2022, the Enlarged Group had outstanding indebtedness as follows:

### Borrowings

As at the close of business on 31 October 2022, the Enlarged Group had bank borrowings and borrowings from other financial institution of approximately HK$166.15 million and HK$10.00 million respectively. Bank borrowings of approximately HK$153.28 million were secured by the Group's leasehold properties situated in Hong Kong. Bank borrowings of approximately HK$12.87 million were guaranteed by the personal guarantee provided by the substantial shareholder of Target Company I. Borrowings from other financial institution of approximately HK$10.00 million were guaranteed by the personal guarantee provided by the spouse of the substantial shareholder of the Company.

### Lease liabilities

As at the close of business on 31 October 2022, the Enlarged Group, as a lessee, had outstanding unpaid contractual lease liabilities of approximately HK$7.16 million in relation to the remaining lease terms of the right-of-use assets which are unsecured and unguaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and others payables in the ordinary course of business, the Enlarge Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 31 October 2022.

**3. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that taking into consideration the effect of the Acquisition, the cash flows generated from the operating activities of the Enlarged Group and the financial resources available to the Enlarged Group, including internally generated funds, the existing cash and bank balances, bank borrowings and available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2022, being the date to which the latest published audited financial statements of the Group were made.

**5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP**

The Acquisition presents a great opportunity for the Group to increase its overall competitiveness and strengthen its growth momentum by expanding its trading business layout to meet the ever-changing demands which are crucial in facing market uncertainty. Amid the challenges in the first half of 2022, including the resurgence of the COVID-19 pandemic in the PRC, the global economic slowdown and the continuous trade disputes between the PRC and the United States of America, the Group has continued to kept tight control of its operations and focused on enhancing operational efficiency and implementing various cost-control measures.

The Acquisition would allow the Enlarged Group to accelerate business expansion in the trading segment. The Group is currently trading in computer and peripheral products and electronics products. Upon Completion, the Enlarged Group will further expand its trading products to frozen food products. Given the difference in consumer demand between the Group's current trading business and those operated by the Target Companies (fast-moving nature of products), it is an opportunity for the Group to broaden its revenue streams.

In respect of the trading business of computer and peripheral products and electronics products, the continuous threat of COVID-19 Pandemic and its variants, disruption in supply chain, the continuous lockdowns of major cities such as Guangzhou, Shenzhen and Shanghai, economic and business environment in Mainland China generated unprecedented challenges to the global economy and negatively affected the overall business environment for the first half of 2022. However, it is anticipated that many countries may adopt flexible and accommodative monetary policies and fiscal stimulus to provide liquidity to counter economic downturn. We are still confident in the future development of the Group in long-term. Despite possible disruptions to the Mainland economy, we are confident about the mid-to-long-term recovery of the Mainland market. In Mainland China, it is expected that the economy will be stable with growth as the pandemic has been under control. We believe the central government will continue to provide accommodative monetary policy and fiscal stimulus necessary to support economic growth. The Group will target the market of the Mainland China, particularly in the Greater Bay Area, as a majorly market. Looking ahead, it is expected that, under the orderly pandemic prevention and control measures, resumption of work, production and business, the Mainland and domestic economy will continue to recover as well as the market demand of computer and peripheral products and electronics products in the second half of the year.

The Board took a positive view of the future prospects of the Target Companies' principal business, trading of frozen food products. Unlike other consumer discretionary products (such as durable goods and personal electronic products), food products enjoy a stable demand across a broad range of economic conditions. As shown in the financial results of the Target Companies for the past few years, notwithstanding the social unrest experienced in Hong Kong in 2019 and the impact of the COVID-19 pandemic, the Target Companies' business performed steadily and continued to record profits even when broad sections of the economy in Hong Kong suffered. Looking ahead, as Hong Kong begins to ease travel restrictions and as economic activities recover, the Board anticipates higher levels of consumer consumption, and higher demand from the local restaurants/catering service providers, resellers and retailers, which is expected to benefit the financial performance of the Target Companies.

In respect of the financial services business, this business segment's financial contribution to the Group's results has fluctuated over the years as global economic conditions worsened under the impact of the COVID-19 pandemic, financial markets continued to fluctuate and deteriorate, and the PRC's economic slowdown. These factors brought uncertainties to the overall business environment for the financial services business. In view of the uncertainties faced by the financial services business, which has particularly affected smaller brokerage business and money lending business like that operated by the Group, the Board would be receptive to any feasible proposals to dispose of, downsize or terminate the financial services business as suitable opportunities arise. Notwithstanding the Board's sentiment towards the Group's financial services business abovementioned, for the avoidance of doubt, the Company (and each of its subsidiaries) has not entered into any binding commitment in respect of the disposal, downsizing or termination of part or all of the Group's financial services business.

Looking ahead, the management is confident with the future development of the Enlarged Group. The Enlarged Group will continue to adhere to our principle of steady development and positively cope with any challenges and capture suitable opportunities. The Enlarged Group will continue to dedicate to exploiting new business opportunities in other sectors from time to time in order to further diversify and broaden revenue sources of the Enlarged Group and generate fabulous returns and long-term values for the Shareholders.

*The following is the text of a report received from the Company's reporting accountant, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

bakertilly
天職國際

**Accountants' report on Historical Financial Information of Shag Mei International Food Limited**
*(Incorporated in Hong Kong with limited liability)*

*To the Board of Directors of Huabang Technology Holdings Limited*

**Introduction**

We report on the Historical Financial Information of Shag Mei International Food Limited ("**Target Company I**") set out on pages II(A)-32 to II(A)-74, which comprised the statements of financial position of Target Company I as at 31 March 2020, 2021 and 2022 and 31 July 2022, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Target Company I for each of the years ended 31 March 2020, 2021 and 2022, and the four months ended 31 July 2022 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together referred to as the "**Historical Financial Information**"). The Historical Financial Information set out on pages II(A)-32 to II(A)-74 forms an integral part of this report, which has been prepared for inclusion in the circular of Huabang Technology Holdings Limited (the "**Company**") dated 16 December 2022 (the "**Circular**") in connection with the proposed acquisition of 100% of issued share capital of Target Company I (the "**Proposed Transaction**").

**Directors' responsibility for the Historical Financial Information**

The sole director of Target Company I is 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, and for such internal control as the sole director determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of Target Company I is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment

Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 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 sole director of Target Company I, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Target Company I as at 31 March 2020, 2021 and 2022 and 31 July 2022 and of the financial performance and cash flows of Target Company I 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 comparative financial information**

We have reviewed the stub period comparative financial information of Target Company I which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 31 July 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Target Company I is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

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

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II(A)-31 has been made.

***Dividends***

We refer to Note 19 to the Historical Financial Information which contains information about the dividends declared by Target Company I for the Relevant Periods.

**Baker Tilly Hong Kong Limited**
*Certified Public Accountants*

Hong Kong, 16 December 2022

**Gao Yajun**
Practising certificate number P06391

## HISTORICAL FINANCIAL INFORMATION OF TARGET COMPANY I

### 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 Target Company I for the Relevant Periods, on which the Historical Financial Information is based, were audited by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**").

**Shag Mei International Food Limited**
**Statements of profit or loss and other comprehensive income**
(Expressed in Hong Kong dollars)

| | | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|---|
| | | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *Note* | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | | (Unaudited) | |
| **Revenue** | *5* | 96,986,455 | 101,035,681 | 106,959,181 | 39,971,672 | 43,101,208 |
| Cost of sales | | (87,519,453) | (91,252,213) | (94,385,631) | (34,437,945) | (37,777,910) |
| **Gross profit** | | 9,467,002 | 9,783,468 | 12,573,550 | 5,533,727 | 5,323,298 |
| Administrative expenses | | (6,965,162) | (6,108,267) | (7,500,755) | (2,105,512) | (1,872,510) |
| Other income and other gains/(losses), net | *6* | 262,046 | 475,611 | 477,840 | 288,697 | (23,123) |
| (Provision of)/reversal of expected credit loss on financial assets | *12(iii)* | (208,667) | 18,177 | 7,640 | – | (38,051) |
| **Operating profit** | | 2,555,219 | 4,168,989 | 5,558,275 | 3,716,912 | 3,389,614 |
| Finance costs | *7(b)* | (182,864) | (482,446) | (478,132) | (169,029) | (153,390) |
| **Profit before income tax** | *7* | 2,372,355 | 3,686,543 | 5,080,143 | 3,547,883 | 3,236,224 |
| Income tax expenses | *10* | (342,443) | (391,984) | (716,280) | (429,458) | (377,020) |
| **Profit and total comprehensive income for the year/period** | | 2,029,912 | 3,294,559 | 4,363,863 | 3,118,425 | 2,859,204 |

**Shag Mei International Food Limited**
**Statements of financial position**
(Expressed in Hong Kong dollars)

| | | As at 31 March | | | As at 31 July |
|---|---|---|---|---|---|
| | | **2020** | **2021** | **2022** | **2022** |
| | *Note* | *HK$* | *HK$* | *HK$* | *HK$* |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *11* | 1,666,816 | 1,181,990 | 2,559,946 | 2,380,521 |
| **Current assets** | | | | | |
| Inventories | | 8,417,011 | 4,575,930 | 1,758,562 | 3,645,926 |
| Trade receivables | *12* | 2,959,423 | 6,629,155 | 8,055,888 | 9,809,409 |
| Deposits, prepayments and other receivable | *12* | 865,032 | 7,993,600 | 1,104,970 | 659,590 |
| Amount due from a related company | *13* | – | 1,134,714 | 1,080,115 | 467,942 |
| Amount due from sole director | *13* | 8,639,704 | – | – | – |
| Cash and cash equivalents | *14* | 6,890,868 | 2,711,578 | 7,908,771 | 6,066,458 |
| | | 27,772,038 | 23,044,977 | 19,908,306 | 20,649,325 |
| **Total assets** | | 29,438,854 | 24,226,967 | 22,468,252 | 23,029,846 |
| **Equity** | | | | | |
| Share capital | *18* | 10,000 | 10,000 | 10,000 | 10,000 |
| Retained profits | | 5,465,901 | 5,760,460 | 3,124,323 | 5,983,527 |
| **Total equity** | | 5,475,901 | 5,770,460 | 3,134,323 | 5,993,527 |

**Statements of financial position (continued)**

| | | As at 31 March | | | As at 31 July |
|---|---|---|---|---|---|
| | | **2020** | **2021** | **2022** | **2022** |
| | *Note* | *HK$* | *HK$* | *HK$* | *HK$* |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables | *15* | 3,123,242 | 1,782,658 | 1,800,926 | 2,441,972 |
| Other payables and accrued expenses | *15* | 524,357 | 601,802 | 2,118,813 | 380,471 |
| Contract liabilities | *16* | 632 | – | 12,711 | 15,542 |
| Amount due to a related company | *13* | 12,925,286 | – | – | – |
| Amount due to sole director | *13* | – | 445,161 | 720,000 | – |
| Bank borrowings | *17* | 7,320,408 | 15,597,345 | 14,367,183 | 13,507,018 |
| Tax payables | | 69,028 | 29,541 | 314,296 | 691,316 |
| | | 23,962,953 | 18,456,507 | 19,333,929 | 17,036,319 |
| **Total liabilities** | | 23,962,953 | 18,456,507 | 19,333,929 | 17,036,319 |
| **Total equity and liabilities** | | 29,438,854 | 24,226,967 | 22,468,252 | 23,029,846 |
| **Net current assets** | | 3,809,085 | 4,588,470 | 574,377 | 3,613,006 |
| **Total assets less current liabilities** | | 5,475,901 | 5,770,460 | 3,134,323 | 5,993,527 |

**Shag Mei International Food Limited**
**Statements of changes in equity**
(Expressed in Hong Kong dollars)

| | Share capital<br>*HK$* | Retained profits<br>*HK$* | Total<br>*HK$* |
|---|---|---|---|
| **Balance at 1 April 2019** | 10,000 | 3,435,989 | 3,445,989 |
| Profit and total comprehensive income for the year | – | 2,029,912 | 2,029,912 |
| **Balance at 31 March 2020 and 1 April 2020** | 10,000 | 5,465,901 | 5,475,901 |
| Profit and total comprehensive income for the year | – | 3,294,559 | 3,294,559 |
| Dividend paid | – | (3,000,000) | (3,000,000) |
| **Balance at 31 March 2021 and 1 April 2021** | 10,000 | 5,760,460 | 5,770,460 |
| Profit and total comprehensive income for the year | – | 4,363,863 | 4,363,863 |
| Dividend paid | – | (7,000,000) | (7,000,000) |
| **Balance at 31 March 2022 and 1 April 2022** | 10,000 | 3,124,323 | 3,134,323 |
| Profit and total comprehensive income for the period | – | 2,859,204 | 2,859,204 |
| **Balance at 31 July 2022** | 10,000 | 5,983,527 | 5,993,527 |
| **Unaudited** | | | |
| **Balance at 1 April 2021** | 10,000 | 5,760,460 | 5,770,460 |
| Profit and total comprehensive income for the period | – | 3,118,425 | 3,118,425 |
| Dividend paid | – | (3,000,000) | (3,000,000) |
| **Balance at 31 July 2021** | 10,000 | 5,878,885 | 5,888,885 |

**Shag Mei International Food Limited**
**Statements of cash flows**
(Expressed in Hong Kong dollars)

| | | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *Note* | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | | (Unaudited) | |
| **Cash flows from operating activities** | | | | | | |
| Cash (used in)/generated from operations | *21(a)* | (3,998,411) | (8,077,210) | 16,595,606 | 9,567,774 | (852,187) |
| Income tax paid | | (437,565) | (431,471) | (431,525) | – | – |
| **Net cash (used in)/ generated from operating activities** | | (4,435,976) | (8,508,681) | 16,164,081 | 9,567,774 | (852,187) |
| **Cash flows from investing activities** | | | | | | |
| Purchases of property, plant and equipment | | (15,000) | (476,220) | (2,320,000) | (86,000) | (10,560) |
| Proceeds from disposal of property, plant and equipment | | – | – | 3,000 | – | 30,000 |
| Interests received | | 3,929 | 11,120 | 58,406 | 25,187 | 3,989 |
| **Net cash (used in)/ generated from investing activities** | | (11,071) | (465,100) | (2,258,594) | (60,813) | 23,429 |

**Statement of cash flows (continued)**

| | | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *Note* | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | | (Unaudited) | |
| **Cash flows from financing activities** | | | | | | |
| Proceeds from borrowings | *21(b)* | 8,000,000 | 11,000,000 | 2,000,000 | – | – |
| Repayments of borrowings | *21(b)* | (679,592) | (2,723,063) | (3,230,162) | (1,112,208) | (860,165) |
| Interest paid | *21(b)* | (182,864) | (482,446) | (478,132) | (169,029) | (153,390) |
| Dividend paid | *19* | – | (3,000,000) | (7,000,000) | (3,000,000) | – |
| **Net cash generated from/(used in) financing activities** | | 7,137,544 | 4,794,491 | (8,708,294) | (4,281,237) | (1,013,555) |
| **Net increase/(decrease) in cash and cash equivalents** | | 2,690,497 | (4,179,290) | 5,197,193 | 5,225,724 | (1,842,313) |
| Cash and cash equivalents at the beginning of the year/period | | 4,200,371 | 6,890,868 | 2,711,578 | 2,711,578 | 7,908,771 |
| **Cash and cash equivalents at the end of the year/period** | *14* | 6,890,868 | 2,711,578 | 7,908,771 | 7,937,302 | 6,066,458 |

## Notes to the Historical Financial Information

(Expressed in Hong Kong dollars)

### 1 GENERAL INFORMATION

Shag Mei International Food Limited ("**Target Company I**") is principally engaged in trading of frozen food products.

Target Company I is a private company incorporated in Hong Kong with limited liability. The address of its registered office is G/F., Wang Cheung Industrial Building, 168 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

At 31 March 2020, 2021 and 2022, and 31 July 2022, the sole director considers there to be no immediate holding company or ultimate holding company for Target Company I.

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of Target Company I.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods.

#### 2.1 Basis of preparation

The Historical Financial Information of Target Company I has been prepared in accordance with Hong Kong Financial Reporting Standards ("**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**"). 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.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Target Company I's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3.

*(a) New standards and interpretations issued but not yet effective*

Certain new accounting standards and amendments listed below have been published but are not mandatory to be adopted for the Relevant Periods and have not been early adopted by Target Company I. These standards and amendments are either currently not relevant to Target Company I or had no material impact on Target Company I's financial statement.

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)[1] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Hong Kong Interpretation 5 (2020) Presentation of Financial Statements | Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause[1] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[1] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a single Transaction[1] |
| HKFRS 17 | Insurance Contracts and the related Amendments[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |

[1] Effective for annual periods beginning on or after 1 January 2023

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

## 2.2 Revenue recognition

***Revenue from contracts with customers***

Target Company I recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or 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 Target Company I's performance as Target Company I performs;

– Target Company I's performance creates and enhances an asset that the customer controls as Target Company I performs; or

– Target Company I's performance does not create an asset with an alternative use to Target Company I and Target Company I has an enforceable right to payment for performance completed to date.

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

A contract asset represents Target Company I's right to consideration in exchange for goods or services that Target Company I has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents Target Company I's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

***2.2.1 Sales of goods***

Revenue is recognised at a point in time when the customer obtains control of the distinct good, usually at the date of delivery of good to the customer subject to a discretion for the return of good by the customer within specified condition and time.

***2.2.2 Bank interest income***

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to amortised cost of the financial assets.

**2.3 Government grants**

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which Target Company I recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that Target Company I should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 Target Company I with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

**2.4 Taxation**

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the relevant year/period. Taxable profit differs from "profit before income tax" as reported in the statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. Target Company I's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable 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 when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, Target Company I considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

**2.5 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 at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. 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 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.

Depreciation on property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Furniture, fixtures, equipment and leasehold improvements | 5 years |
| Motor vehicles | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**2.6 Impairment on property, plant and equipment**

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

The recoverable amount of property, plant and equipment is estimated individually. When it is not possible to estimate the recoverable amount individually, Target Company I estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 cash-generating unit, Target Company I compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. 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 other 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 a cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**2.7 Foreign currency**

In preparing the Historical Financial Information, transactions in currencies other than the functional currency of Target Company I (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

**2.8 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of recognised rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.9 Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**2.10 Employee benefits**

***(a) Pension obligations***

Target Company I participates in general defined contribution pension schemes. A defined contribution plan is a pension plan under which Target Company I pays fixed contributions into a separate entity. Target Company I has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Target Company I pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Target Company I has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

***(b) Bonus plans***

The expected cost of bonus payments is recognised as a liability when Target Company I has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

***(c) Employee leave entitlements***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**2.11 Provision**

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**2.12 Financial assets**

***2.12.1 Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Target Company I's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which Target Company I has applied the practical expedient of not adjusting the effect of a significant financing component, Target Company I initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which Target Company I has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

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

Target Company I's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

***2.12.2 Subsequent measurement***

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

*Financial assets at amortised cost (debt instruments)*

Target Company I measures financial assets at amortised cost if both of the following conditions are met:

– The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

***2.12.3 Impairment of financial assets***

Target Company I performs impairment assessment under expected credit loss ("**ECL**") model on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date 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 reporting date. Assessments are done based on Target Company I'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 reporting date as well as the forecast of future conditions.

Target Company I always recognises lifetime ECL for trade receivables. For all other instruments, Target Company I measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case Target Company I 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.

*(i) Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, Target Company I compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Target Company I 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.

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;

– 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, Target Company I presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Target Company I has reasonable and supportable information that demonstrates otherwise.

Target Company I 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.

*(ii) Definition of default*

For internal credit risk management, Target Company I considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Target Company I, in full (without taking into account any collaterals held by Target Company I).

Irrespective of the above, Target Company I considers that default has occurred when a financial asset is more than 90 days past due unless Target Company I has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii) Credit-impaired financial assets*

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

(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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

*(iv) Write-off policy*

Target Company I writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

Financial assets written off may still be subject to enforcement activities under Target Company I'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.

*(v) 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 and 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. Target Company I uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the impairment allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the impairment allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the impairment allowance is measured at an amount equal to lifetime ECLs

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, Target Company I takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

*(vi) Derecognition of financial assets*

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

– the rights to receive cash flows from the asset have expired; or

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

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

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

**2.13 Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

***Subsequent measurement***

Financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss: this classification is applied to derivatives and financial liabilities held for trading. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability).

This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

***Derecognition of financial liabilities***

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

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

**2.14 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.15 Related parties**

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

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

(i) has control or joint control over Target Company I;

(ii) has significant influence over Target Company I; or

(iii) is a member of the key management personnel of Target Company I or of a parent of Target Company I;

or

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

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

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

(iii) the entity and Target Company I 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 Target Company I or an entity related to Target Company I;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Target Company I or to the parent of Target Company I.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of Target Company I's accounting policies, which are described in Note 2, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future financial periods.

***(a) Provision for ECL allowance on financial assets measured at amortised cost***

Target Company I calculates ECL allowance for financial assets measured at amortised cost, based on the estimated probability of default of counterparties with similar credit ratings, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate. At each reporting date, Target Company I assesses whether the credit risk on a financial instrument has increased significantly since initial recognition or considers a financial asset in default. Further details are set out in Note 2.12.3 to the Historical Financial Information.

***(b) Useful lives of property, plant and equipment***

Target Company I's management determines the estimated useful lives, and related depreciation for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

***(c) Impairment of non-current assets***

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or value in use which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value in use used in the impairment test and as a result affect Target Company I's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

Target Company I's activities expose it to a variety of financial risks: market risk (including foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. Target Company I's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Target Company I's financial performance. Target Company I has not used any derivative financial instruments to hedge its risk exposures.

***(a) Market risk***

*(i) Foreign currency risk*

Target Company I operates in Hong Kong and most of their transactions are denominated in Hong Kong dollar ("**HK$**"), United States dollar ("**US$**") and Japanese Yen ("**JPY**"). Target Company I is exposed to foreign exchange risk primarily through sales, purchases and expenses transactions that are denominated in currencies other than the functional currency of Target Company I (i.e. "**HK$**"). Target Company I manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. Target Company I ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. Target Company I has not used any forward exchange contract to hedge against foreign exchange risk as management considers its exposure is not significant.

As the HK$ is pegged to the US$, Target Company I does not expect any significant movements in the US$/HK$ exchange rate.

The following table demonstrates the sensitivity as at 31 March 2020, 2021 and 2022 and 31 July 2022, i.e. if HK$ had weakened/strengthen by 5% against JPY with other variables held constant, pre-tax profit for the years ended 31 March 2020, 2021, 2022 and the four months ended 31 July 2022 would have been changed, primarily due to exchange loss/gain arising from revaluation of net JPY denominated in monetary assets and liabilities:

| | **As at 31 March** | | | **As at 31 July** |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | **HK$** | **HK$** | **HK$** | **HK$** |
| | **Increase/ (decreased) in pre-tax profit** | **Increase/ (decreased) in pre-tax profit** | **Increase/ (decreased) in pre-tax profit** | **Increase/ (decreased) in pre-tax profit** |
| Increase in 5% | (88,320) | 183,627 | 21,109 | (2,320) |
| Decrease in 5% | 88,320 | (183,627) | (21,109) | 2,320 |

*(ii) Cash flow interest rate risk*

Target Company I's cash flow interest rate risk arises mainly from bank borrowings. Bank borrowings carried at variable rates expose Target Company I to cash flow interest rate risk which is partially offset by cash at banks held at variable rates.

Target Company I currently does not use any interest rate swap contracts or other financial instruments to hedge against its cash flow interest rate risk exposure. Management monitors interest rate fluctuations to ensure that exposure to cash flow interest rate risk is within an acceptable level.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("**IBORs**") with alternative nearly risk-free rates. Details of the impacts on Target Company I's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under Note 4.1(d).

Based on the sensitivity analysis performed by management, if interest rates had been increased/decreased by 100 (2021: 100) basis points on Target Company I's bank borrowings with all other variable held constant, pre-tax profit for the years ended 31 March 2020, 2021, 2022 and the four months ended 31 July 2022 would have been HK$7,320, HK$15,597, HK$14,367, HK$13,507 lower/ higher respectively.

***(b) Credit risk***

Credit risk is the risk that Target Company I will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Target Company I manages and controls credit risk at company level and has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

The credit risk on liquid funds, including cash and cash equivalents is limited because cash at banks are placed with reputable financial institutions in Hong Kong which management believes are of sound credit quality and without significant credit risk.

For amounts due from a related company and sole director, the management considers Target Company I's credit risk to be minimal taking into account the financial position of the counterparties. For deposits and other receivables, the management makes periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and Target Company I provided impairment based on 12m ECL. As at 31 March 2020, 2021, 2022 and 31 July 2022, Target Company I assessed the ECL were insignificant and thus no loss allowance was recognised.

Target Company I manages and analyses the credit risk from trade receivables for each of their new and existing customers before standard payment terms and conditions are offered. If there is no independent rating, Target Company I assesses the credit quality of the customers based on their financial positions, past experience and other factors. Target Company I has concentrations of credit risks from trade receivables from its customers. Target Company I's five largest customers in aggregate accounted for 40%, 47%, 73% and 67% of Target Company I's total trade receivables at 31 March 2020, 2021, 2022 and 31 July 2022 respectively. Target Company I maintains frequent communications with the customer to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Settlements from the customers are closely monitored on an ongoing basis by management of Target Company I to ensure any overdue debts are identified. Follow-up action is taken to recover any overdue debts.

The tables below show the credit quality and the maximum exposure to credit risk based on Target Company I's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 March 2020, 2021, 2022 and 31 July 2022. The amounts presented are gross carrying amounts for financial assets.

*Maximum exposure as at 31 March 2020*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables | – | 200,796 | 156,663 | 2,810,631 | 3,168,090 |
| Financial assets included in deposits, prepayments and other receivables | | | | | |
| – Not yet past due | 25,190 | – | – | – | 25,190 |
| Amount due from sole director | | | | | |
| – Not yet past due | 8,639,704 | – | – | – | 8,639,704 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 6,890,868 | – | – | – | 6,890,868 |
| | 15,555,762 | 200,796 | 156,663 | 2,810,631 | 18,723,852 |

*Maximum exposure as at 31 March 2021*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables | – | 1,200,178 | 126,541 | 5,492,926 | 6,819,645 |
| Financial assets included in deposits, prepayments and other receivables | | | | | |
| – Not yet past due | 208,300 | – | – | – | 208,300 |
| Amount due from a related company | | | | | |
| – Not yet past due | 1,134,714 | – | – | – | 1,134,714 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 2,711,578 | – | – | – | 2,711,578 |
| | 4,054,592 | 1,200,178 | 126,541 | 5,492,926 | 10,874,237 |

*Maximum exposure as at 31 March 2022*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables | – | 1,893,188 | 101,272 | 6,244,278 | 8,238,738 |
| Financial assets included in deposits, prepayments and other receivables | | | | | |
| – Not yet past due | 93,498 | – | – | – | 93,498 |
| Amount due from a related company | | | | | |
| – Not yet past due | 1,080,115 | – | – | – | 1,080,115 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 7,908,771 | – | – | – | 7,908,771 |
| | 9,082,384 | 1,893,188 | 101,272 | 6,244,278 | 17,321,122 |

*Maximum exposure as at 31 July 2022*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables | – | 2,835,308 | 96,829 | 7,098,173 | 10,030,310 |
| Financial assets included in deposits, prepayments and other receivables | | | | | |
| – Not yet past due | 51,500 | – | – | – | 51,500 |
| Amount due from a related company | | | | | |
| – Not yet past due | 467,942 | – | – | – | 467,942 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 6,066,458 | – | – | – | 6,066,458 |
| | 6,585,900 | 2,835,308 | 96,829 | 7,098,173 | 16,616,210 |

*(c) Liquidity risk*

With prudent liquidity risk management, Target Company I aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term bank borrowings.

The following table details the remaining contractual maturities at the end of the reporting period of Target Company I's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date Target Company I can be required to pay:

| | 31 March 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted average Interest rate | Carrying amount | Total contractual Undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | Within 2 to 5 years | Over 5 years |
| | | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* |
| Trade payables | – | 3,123,242 | 3,123,242 | 3,123,242 | – | – | – |
| Amount due to a related company | – | 12,925,286 | 12,925,286 | 12,925,286 | – | – | – |
| Other payables and accrued expenses | – | 524,357 | 524,357 | 524,357 | – | – | – |
| Bank borrowings | 3.5% | 7,320,408 | 8,172,509 | 1,290,396 | 1,290,396 | 5,591,717 | – |
| | | 23,893,293 | 24,745,394 | 17,863,281 | 1,290,396 | 5,591,717 | – |

| | 31 March 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted average Interest rate | Carrying amount | Total contractual Undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | Within 2 to 5 years | Over 5 years |
| | | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* |
| Trade payables | – | 1,782,658 | 1,782,658 | 1,782,658 | – | – | – |
| Amount due to sole director | – | 445,161 | 445,161 | 445,161 | – | – | – |
| Other payables and accrued expenses | – | 601,802 | 601,802 | 601,802 | – | – | – |
| Bank borrowings | 3.32% | 15,597,345 | 17,169,706 | 3,663,111 | 2,743,049 | 10,681,447 | 82,099 |
| | | 18,426,966 | 19,999,327 | 6,492,732 | 2,743,049 | 10,681,447 | 82,099 |

| | 31 March 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted average Interest rate | Carrying amount | Total contractual Undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | Within 2 to 5 years | Over 5 years |
| | | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* |
| Trade payables | – | 1,800,926 | 1,800,926 | 1,800,926 | – | – | – |
| Amount due to sole director | – | 720,000 | 720,000 | 720,000 | – | – | – |
| Other payables and accrued expenses | – | 2,118,813 | 2,118,813 | 2,118,813 | – | – | – |
| Bank borrowings | 3.38% | 14,367,183 | 15,690,471 | 3,021,842 | 3,012,429 | 9,423,873 | 232,327 |
| | | 19,006,922 | 20,330,210 | 7,661,581 | 3,012,429 | 9,423,873 | 232,327 |

| | 31 July 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Weighted average Interest rate | Carrying amount | Total contractual Undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | Within 2 to 5 years | Over 5 years |
| | | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* |
| Trade payables | – | 2,441,972 | 2,441,972 | 2,441,972 | – | – | – |
| Other payables and accrued expenses | – | 380,471 | 380,471 | 380,471 | – | – | – |
| Bank borrowings | 3.00% | 13,507,018 | 14,676,916 | 3,012,429 | 3,012,429 | 8,512,662 | 139,396 |
| | | 16,329,461 | 17,499,359 | 5,834,872 | 3,012,429 | 8,512,662 | 139,396 |

The above information reflects the repayment schedules in accordance with the relevant loan agreements. However, bank loans are classified as current liabilities in the statements of financial position as they will be repaid upon demand, according to the demand clause set out in the loan agreements. As at 31 March 2020, 2021, 2022 and 31 July 2022, the aggregated contractual undiscounted cash flow on demand is amounted to HK$8,172,509, HK$17,169,706, HK$15,690,471 and HK$14,676,916.

***(d) Interest rate benchmark reform***

Target Company I's bank borrowings will or may be subjected to the interest rate benchmark reform as mentioned in Note 4.1(a). Target Company I is closely monitoring the market and managing the transition to new benchmark interest rates, including the announcements made by the relevant IBOR regulators.

*HIBOR*

While the Hong Kong Dollar Overnight Index Average ("**HONIA**") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

*Interest rate related risks*

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

*Liquidity risk*

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. Target Company I's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

### 4.2 Capital risk management

Target Company I's objectives when managing capital are to safeguard Target Company I's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Target Company I's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Target Company I consists of net debts, which includes trade payables, amount due to a related company, amount due to sole director, other payables and accrued expenses and bank borrowings, net of cash and cash equivalents, share capital and reserves.

The management of Target Company I reviews the capital structure periodically and considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the issue of new debts or the redemption of existing debts.

## 5 REVENUE AND SEGMENT INFORMATION

### 5.1 Revenue

An analysis of revenue is as follows:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Revenue from contracts with customers *(Note i)* | 96,986,455 | 101,035,681 | 106,959,181 | 39,971,672 | 43,101,208 |

***(i) Disaggregated revenue information for revenue from contracts with customers***

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Sales of goods | 96,986,455 | 101,035,681 | 106,959,181 | 39,971,672 | 43,101,208 |

### 5.2 Segment information

For management purposes, Target Company I has only one reportable operating segment which is the trading of frozen food products in Hong Kong. Since this is the only one reportable operating segment of Target Company I, no further operating segment analysis thereof is presented.

***Information about major customers***

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Revenue from top five customers | 33,688,448 | 44,041,397 | 30,360,602 | 13,554,168 | 16,454,580 |
| Total revenue | 96,986,455 | 101,035,681 | 106,959,181 | 39,971,672 | 43,101,208 |
| Percentage | 34.7% | 43.6% | 28.4% | 33.9% | 38.2% |
| Number of customers that individually accounted for more than 10% of Target Company I's revenue | 1 | 1 | 1 | 1 | 1 |

Revenue from customers individually contributing over 10% of the total revenue of Target Company I for the Relevant Periods are as follows:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Customer A | 19,289,648 | – | – | – | – |
| Customer B | – | 16,740,382 | – | – | – |
| Customer C | – | – | 16,137,306 | 5,016,023 | 9,061,782 |

## 6 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Interest income | 3,929 | 11,120 | 58,406 | 25,187 | 3,989 |
| Exchange gains/(losses), net | 113,117 | 347,172 | 512,033 | 263,510 | (117,152) |
| (Loss)/gain on disposal of property, plant and equipment | – | – | (190,747) | – | 30,000 |
| Sundry income | 145,000 | 117,319 | 98,148 | – | 60,040 |
| | 262,046 | 475,611 | 477,840 | 288,697 | (23,123) |

## 7 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| *(a) Staff cost (including director's remuneration in Note 8):* | | | | | |
| Salaries, wages, sales commission and other benefit | 4,794,135 | 4,011,317 | 4,854,262 | 1,399,440 | 1,179,482 |
| Mandatory Provident Fund contributions | 132,389 | 142,923 | 157,375 | 56,392 | 49,872 |
| *(b) Finance cost:* | | | | | |
| Interest on bank Borrowings | 182,864 | 482,446 | 478,132 | 169,029 | 153,390 |
| *(c) Other items:* | | | | | |
| Cost of inventories | 82,108,230 | 84,646,372 | 86,505,946 | 31,637,204 | 35,909,558 |
| Auditor's remuneration | 80,000 | 80,000 | 85,000 | – | – |
| Depreciation of property, plant and equipment | 865,801 | 961,046 | 748,297 | 362,768 | 189,985 |

*Note:* For the year ended 31 March 2021 and the four months ended 31 July 2022, Covid-19-related government grants under "Employment Support Scheme" of the Hong Kong Government amounting to HK$615,000 and HK$237,600 respectively, have been offset against Target Company I's staff costs.

## 8 DIRECTOR'S EMOLUMENTS

The remuneration of the sole director for the Relevant Periods is set out below:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Fee | – | – | – | – | – |
| Other emolument: | | | | | |
| Salaries, allowance, and benefits in kind | 1,276,000 | 1,236,000 | 1,224,976 | 172,000 | 160,000 |
| | 1,276,000 | 1,236,000 | 1,224,976 | 172,000 | 160,000 |

*Note:* Target Company I did not make any contribution to the Mandatory Provident Funds ("**MPF**") for the sole director as he is at the age of over 65.

## 9 THE FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in Target Company I include the sole director, whose emoluments are presented in Note 8, and the emoluments paid to the remaining four highest paid employees during the Relevant Periods are as follows:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Salaries, sales commission and other benefit | 3,113,629 | 2,721,410 | 2,915,659 | 724,227 | 780,926 |
| Mandatory Provident Fund contributions | 59,853 | 57,803 | 70,254 | 23,544 | 21,495 |
| | 3,173,482 | 2,779,213 | 2,985,913 | 747,771 | 802,421 |

Their emoluments were within the following bands:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | | | | (Unaudited) | |
| Nil to HK$500,000 | 3 | 4 | 3 | 5 | 5 |
| HK$500,001 to HK$1,000,000 | 1 | – | 1 | – | – |
| HK$1,000,001 to HK$1,500,000 | 1 | 1 | 1 | – | – |
| | 5 | 5 | 5 | 5 | 5 |

## 10 INCOME TAX EXPENSE

(a) Income tax expense in the statement of profit or loss and other comprehensive income represents:

| | Year ended 31 March | | | Four Months ended 31 July | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Current income tax | | | | | |
| – Hong Kong Profits Tax | 342,443 | 391,984 | 716,280 | 429,458 | 377,020 |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2020 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying entities will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Hong Kong Profits Tax of Target Company I is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

No deferred tax liabilities and assets have been recognised as Target Company I does not have any significant temporary differences.

(b) The charge for the Relevant Periods can be reconciled to the profit for the statement of profit or loss and other comprehensive income as follows:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Profit before income tax | 2,372,355 | 3,686,543 | 5,080,143 | 3,547,883 | 3,236,224 |
| Tax calculated at Hong Kong Profits Tax rate of 16.5% | 391,439 | 608,280 | 838,224 | 585,401 | 533,977 |
| Tax effect of: | | | | | |
| – Expenses not deductible | 35,612 | 3,802 | 39,916 | 2,809 | 8,022 |
| – Income not subject to tax | (648) | (106,309) | (10,898) | (4,156) | (658) |
| – Temporary difference not recognised | 101,040 | 61,211 | 24,038 | 20,404 | 10,679 |
| – Income tax at concession rate | (165,000) | (165,000) | (165,000) | (165,000) | (165,000) |
| – Tax concession | (20,000) | (10,000) | (10,000) | (10,000) | (10,000) |
| Income tax expenses | 342,443 | 391,984 | 716,280 | 429,458 | 377,020 |

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Motor vehicles | Furniture, fixtures, equipment and leasehold improvements | Total |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| **Cost** | | | |
| At 1 April 2019 | 402,136 | 3,911,872 | 4,314,008 |
| Additions | – | 15,000 | 15,000 |
| At 31 March 2020 and 1 April 2020 | 402,136 | 3,926,872 | 4,329,008 |
| Additions | 476,220 | – | 476,220 |
| At 31 March 2021 and 1 April 2021 | 878,356 | 3,926,872 | 4,805,228 |
| Additions | – | 2,320,000 | 2,320,000 |
| Disposals | (134,045) | (3,749,146) | (3,883,191) |
| At 31 March 2022 and 1 April 2022 | 744,311 | 2,497,726 | 3,242,037 |
| Additions | – | 10,560 | 10,560 |
| Disposal | (134,045) | – | (134,045) |
| At 31 July 2022 | 610,266 | 2,508,286 | 3,118,552 |

| | Motor vehicles | Furniture, fixtures, equipment and leasehold improvements | Total |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| **Accumulated depreciation and impairment** | | | |
| At 1 April 2019 | 241,282 | 1,555,109 | 1,796,391 |
| Provided for the year | 80,427 | 785,374 | 865,801 |
| At 31 March 2020 and 1 April 2020 | 321,709 | 2,340,483 | 2,662,192 |
| Provided for the year | 175,671 | 785,375 | 961,046 |
| At 31 March 2021 and 1 April 2021 | 497,380 | 3,125,858 | 3,623,238 |
| Provided for the year | 95,244 | 653,053 | 748,297 |
| Eliminated on disposals | (134,045) | (3,555,399) | (3,689,444) |
| At 31 March 2022 and 1 April 2022 | 458,579 | 223,512 | 682,091 |
| Provided for the period | 31,748 | 158,237 | 189,985 |
| Eliminated on disposals | (134,045) | – | (134,045) |
| At 31 July 2022 | 356,282 | 381,749 | 738,031 |
| **Net carrying amount** | | | |
| At 31 March 2020 | 80,427 | 1,586,389 | 1,666,816 |
| At 31 March 2021 | 380,976 | 801,014 | 1,181,990 |
| At 31 March 2022 | 285,732 | 2,274,214 | 2,559,946 |
| At 31 July 2022 | 253,984 | 2,126,537 | 2,380,521 |

## 12 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables *(Note a)* | 2,959,423 | 6,629,155 | 8,055,888 | 9,809,409 |
| Deposits and other receivable *(Note b)* | 25,190 | 208,300 | 93,498 | 51,500 |
| Prepayments | 839,842 | 7,785,300 | 1,011,472 | 608,090 |
| Deposits, prepayments and other receivable | 865,032 | 7,993,600 | 1,104,970 | 659,590 |
| Total trade receivables, deposits, prepayments and other receivable | 3,824,455 | 14,622,755 | 9,160,858 | 10,468,999 |

Trade receivables, deposits, prepayments and other receivable are denominated in the following currencies:

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| HK$ | 2,506,406 | 6,848,877 | 7,034,204 | 9,870,909 |
| JPY | – | 3,672,538 | 422,022 | 597,993 |
| US$ | 1,318,049 | 4,101,340 | 1,704,632 | 97 |
| | 3,824,455 | 14,622,755 | 9,160,858 | 10,468,999 |

Target Company I does not hold any collateral as security for trade receivables, deposits, prepayments and other receivable.

*Notes:*

(a) Analysis of trade receivables

The carrying amount of trade receivables of the Group was as follows:

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables | 3,168,090 | 6,819,645 | 8,238,738 | 10,030,310 |
| Less: Impairment | (208,667) | (190,490) | (182,850) | (220,901) |
| | 2,959,423 | 6,629,155 | 8,055,888 | 9,809,409 |

(i) Target Company I grants credit period ranging from 1 to 90 days to the customers. The aging analysis of relevant trade receivables at the date of statement of financial position based on invoice date and before impairment allowance is as follows:

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| 1 – 30 days | 2,604,718 | 5,038,025 | 5,901,330 | 6,786,782 |
| 31 – 60 days | 221,432 | 1,605,936 | 2,080,460 | 3,086,283 |
| 61 – 90 days | 182,012 | 49,143 | 146,795 | 43,058 |
| 91 – 120 days | 70,484 | 14,842 | 8,881 | 17,358 |
| Over 180 days | 89,444 | 111,699 | 101,272 | 96,829 |
| | 3,168,090 | 6,819,645 | 8,238,738 | 10,030,310 |

(ii) The following tables are the analysis of the gross carrying amount of the trade receivables as at 31 March 2020, 2021 and 2022 and 31 July 2022 by ECL assessment and year/period end classification:

| | As at 31 March 2020 | | |
|---|---|---|---|
| | **Non-credit-impaired** | **Credit-impaired** | **Total** |
| | *HK$* | *HK$* | *HK$* |
| Trade receivables | | | |
| – Not yet past due | 2,810,631 | – | 2,810,631 |
| – Past due | 200,796 | 156,663 | 357,459 |
| | 3,011,427 | 156,663 | 3,168,090 |

| | As at 31 March 2021 | | |
|---|---|---|---|
| | **Non-credit-impaired** | **Credit-impaired** | **Total** |
| | *HK$* | *HK$* | *HK$* |
| Trade receivables | | | |
| – Not yet past due | 5,492,926 | – | 5,492,926 |
| – Past due | 1,200,178 | 126,541 | 1,326,719 |
| | 6,693,104 | 126,541 | 6,819,645 |

| | As at 31 March 2022 | | |
|---|---|---|---|
| | Non-credit-impaired *HK$* | Credit-impaired *HK$* | Total *HK$* |
| Trade receivables | | | |
| – Not yet past due | 6,244,278 | – | 6,244,278 |
| – Past due | 1,893,187 | 101,273 | 1,994,460 |
| | 8,137,465 | 101,273 | 8,238,738 |

| | As at 31 July 2022 | | |
|---|---|---|---|
| | Non-credit-impaired *HK$* | Credit-impaired *HK$* | Total *HK$* |
| Trade receivables | | | |
| – Not yet past due | 7,098,173 | – | 7,098,173 |
| – Past due | 2,835,307 | 96,830 | 2,932,137 |
| | 9,933,480 | 96,830 | 10,030,310 |

(iii) The movements in the impairment allowance of trade receivables were as follows:

| | Non-credit-impaired *HK$* | Credit-impaired *HK$* | Total *HK$* |
|---|---|---|---|
| As at 1 April 2019 | – | – | – |
| Impairment losses recognised | 52,004 | 156,663 | 208,667 |
| As at 31 March 2020 and 1 April 2020 | 52,004 | 156,663 | 208,667 |
| Impairment losses (reversed)/ recognised, net | 11,945 | (30,122) | (18,177) |
| As at 31 March 2021 and 1 April 2021 | 63,949 | 126,541 | 190,490 |
| Impairment losses (reversed)/ recognised, net | 17,628 | (25,268) | (7,640) |
| As at 31 March 2022 and 1 April 2022 | 81,577 | 101,273 | 182,850 |
| Impairment losses recognised/ (reversed), net | 42,494 | (4,443) | 38,051 |
| As at 31 July 2022 | 124,071 | 96,830 | 220,901 |

As part of Target Company I's credit risk management, Target Company I uses debtors' aging to assess the impairment for its customers in relation to its trading business because these customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

(iv) The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix to estimate the lifetime ECL (non-credit-impaired).

**As at 31 March 2020**

| | Not past due | Past due | Total |
|---|---|---|---|
| Expected credit loss rate | 0.17% | 23.52% | 1.73% |
| Gross carrying amount (HK$) | 2,810,631 | 200,796 | 3,011,427 |
| Expected credit losses (HK$) | 4,778 | 47,226 | 52,004 |

**As at 31 March 2021**

| | Not past due | Past due | Total |
|---|---|---|---|
| Expected credit loss rate | 0.16% | 4.60% | 0.96% |
| Gross carrying amount (HK$) | 5,492,926 | 1,200,178 | 6,693,104 |
| Expected credit losses (HK$) | 8,789 | 55,160 | 63,949 |

**As at 31 March 2022**

| | Not past due | Past due | Total |
|---|---|---|---|
| Expected credit loss rate | 0.15% | 3.81% | 1.00% |
| Gross carrying amount (HK$) | 6,244,278 | 1,893,187 | 8,137,465 |
| Expected credit losses (HK$) | 9,366 | 72,211 | 81,577 |

**As at 31 July 2022**

| | Not past due | Past due | Total |
|---|---|---|---|
| Expected credit loss rate | 0.15% | 4.00% | 1.25% |
| Gross carrying amount (HK$) | 7,098,173 | 2,835,307 | 9,933,480 |
| Expected credit losses (HK$) | 10,647 | 113,424 | 124,071 |

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the years ended 31 March 2020, 2021 and 2022 and the four months ended 31 July 2022, Target Company I provided impairment allowance for trade receivables of HK$52,004, HK$11,945, HK$17,628 and HK$42,494, respectively, based on the provision matrix. Impairment allowance of HK$156,663, HK$126,541, HK$101,273, HK$96,830 were made on credit-impaired debtors for the years ended 31 March 2020, 2021, 2022 and the four months ended 31 July 2022 respectively.

(b) Deposits and other receivable

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Deposits | 500 | 500 | 51,500 | 51,500 |
| Other receivable | 24,690 | 207,800 | 41,998 | – |
| | 25,190 | 208,300 | 93,498 | 51,500 |

Deposits mainly represented custom duty deposits and utilities deposits paid.

Other receivable represented advance to a third party. The amount is interest free, unsecured and repayable on demand.

No ECL allowance for deposits and other receivable is recognised as there has been no significant increase in credit risk since initial recognition.

## 13 AMOUNTS DUE FROM/(TO) A RELATED COMPANY/SOLE DIRECTOR

The amounts due from/(to) a related company, Legend International Food Limited, which is controlled by Target Company I's sole shareholder, and sole director are interest free, unsecured and recoverable/repayable on demand.

## 14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are denominated in the following currencies:

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| **Cash on hand** | | | | |
| HK$ | 20,000 | 20,000 | 20,000 | 30,000 |
| **Cash at banks** | | | | |
| HK$ | 1,424,441 | 2,666,408 | 7,613,483 | 5,616,108 |
| US$ | 5,446,427 | 25,170 | 275,288 | 420,350 |
| | 6,870,868 | 2,691,578 | 7,888,771 | 6,036,458 |
| | 6,890,868 | 2,711,578 | 7,908,771 | 6,066,458 |

Cash at banks earns interest at floating rates based on prevailing bank deposit rates of respective banks.

As at 31 March 2020, 2021, 2022 and 31 July 2022, no impairment was made on cash and cash equivalents.

## 15 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade payables | 3,123,242 | 1,782,658 | 1,800,926 | 2,441,972 |
| Other payables and accrued expenses | 524,357 | 601,802 | 2,118,813 | 380,471 |
| Total trade payables, other payables and accrued expenses | 3,647,599 | 2,384,460 | 3,919,739 | 2,822,443 |

Trade payables, other payables and accrued expenses of Target Company I are denominated in the following currencies.

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| HK$ | 869,225 | 957,963 | 2,609,996 | 1,070,090 |
| US$ | 1,011,968 | 1,426,497 | 1,309,743 | 1,107,953 |
| JPY | 1,766,406 | – | – | 644,400 |
| | 3,647,599 | 2,384,460 | 3,919,739 | 2,822,443 |

## 16 CONTRACT LIABILITIES

Details of contract liabilities as at 31 March 2020, 2021, 2022 and 31 July 2022 are as follows:

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Short term advances received from customers | 632 | – | 12,711 | 15,542 |

Contract liabilities of HK$632, HK$12,711 and HK$15,542 arising from sales of frozen food products as of 31 March 2020, 31 March 2022 and 31 July 2022 represented advances received before the control of the relevant frozen food products are transferred to the customers.

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Balance at 1 April | – | 632 | – | 12,711 |
| Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period | – | (632) | – | (12,711) |
| Net increase in contract liabilities as a result of advance from customers | 632 | – | 12,711 | 15,542 |
| Balance at year/period end | 632 | – | 12,711 | 15,542 |

## 17 BANK BORROWINGS

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Variable-rate bank borrowings: | | | | |
| – Guaranteed | 7,320,408 | 15,597,345 | 14,367,183 | 13,507,018 |
| Analysed for reporting purposes: | | | | |
| – Current liabilities | 7,320,408 | 15,597,345 | 14,367,183 | 13,507,018 |

As at 31 March 2020, 2021, 2022 and 31 July 2022, Target Company I's bank borrowings of HK$7,320,408, HK$15,597,345, HK$14,367,183 and HK$13,507,018 respectively are guaranteed by the sole director of Target Company I.

Target Company I's variable-rate bank borrowings carry interest at a floating interest rate plus credit spread per annum.

As at 31 March 2020, 2021, 2022 and 31 July 2022, Target Company I's variable rate bank borrowings of approximately HK$7,320,408, HK$15,597,345, HK$14,367,183 and HK$13,507,018 respectively are carrying interest at 3-month HKD HIBOR plus premium.

Target Company I's guaranteed bank borrowings, which contain a clause giving the lender an unconditional right to demand repayment at any time, have been classified as current liabilities irrespective of the probability that the lenders will invoke the clause without cause. The maturities of the bank borrowings as at 31 March 2020, 2021, 2022 and 31 July 2022 in accordance with the scheduled repayment dates (excluding any demand clauses) are as follows:

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Within one year | 1,050,804 | 3,179,237 | 2,585,068 | 2,601,844 |
| Between one and two years | 1,088,178 | 2,365,582 | 2,660,765 | 2,691,032 |
| Between two and five years | 3,502,012 | 7,540,339 | 7,679,296 | 7,243,871 |
| Over five years | 1,679,414 | 2,512,187 | 1,442,054 | 970,271 |
| | 7,320,408 | 15,597,345 | 14,367,183 | 13,507,018 |

## 18 SHARE CAPITAL

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Share capital | 10,000 | 10,000 | 10,000 | 10,000 |

(a) As at 31 March 2020, 2021 and 2022 and 31 July 2022, the number of issued ordinary shares held by the sole shareholder was 10,000. There were no transfer of ordinary shares during the Relevant Periods.

(b) The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of Target Company I. All ordinary shares rank equally with regards to Target Company I's residual assets.

## 19 DIVIDENDS

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Interim dividend | – | 3,000,000 | 7,000,000 | 3,000,000 | – |

During the years ended 31 March 2021, 31 March 2022 and the four months ended 31 July 2021, interim dividends of HK$300, HK$700 and HK$300 per ordinary shares, respectively, which represent aggregate amounts of HK$3,000,000, HK$7,000,000 and HK$3,000,000, respectively, had been declared, approved and paid to Target Company I's sole shareholder.

No dividends were declared, paid, or proposed during the year ended 31 March 2020, the four months ended 31 July 2022 and period subsequent to 31 July 2022.

## 20 CATEGORIES OF FINANCIAL INSTRUMENTS

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| **Financial assets** | | | | |
| Financial assets at amortised cost | | | | |
| Trade receivables | 2,959,423 | 6,629,155 | 8,055,888 | 9,809,409 |
| Deposits, prepayments and other receivable | 25,190 | 208,300 | 93,498 | 51,500 |
| Amount due from a related company | – | 1,134,714 | 1,080,115 | 467,942 |
| Amount due from sole director | 8,639,704 | – | – | – |
| Cash and cash equivalents | 6,890,868 | 2,711,578 | 7,908,771 | 6,066,458 |
| | 18,515,185 | 10,683,747 | 17,138,272 | 16,395,309 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortised cost | | | | |
| Bank borrowings | 7,320,408 | 15,597,345 | 14,367,183 | 13,507,018 |
| Trade payables | 3,123,242 | 1,782,658 | 1,800,926 | 2,441,972 |
| Other payables and accrued expenses | 524,357 | 601,802 | 2,118,813 | 380,471 |
| Amount due to sole director | – | 445,161 | 720,000 | – |
| Amount due to a related company | 12,925,286 | – | – | – |
| | 23,893,293 | 18,426,966 | 19,006,922 | 16,329,461 |

## 21 NOTE TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation between profit before income tax and cash (used in)/generated from operations:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Profit before income tax | 2,372,355 | 3,686,543 | 5,080,143 | 3,547,883 | 3,236,224 |
| **Adjustment for:** | | | | | |
| Provision of/(reversal of) expected credit loss on trade receivables | 208,667 | (18,177) | (7,640) | – | 38,051 |
| Depreciation of property, plant and equipment | 865,801 | 961,046 | 748,297 | 362,768 | 189,985 |
| Loss/(gain) on disposal of property, plant and equipment, net | – | – | 190,747 | – | (30,000) |
| Interest income | (3,929) | (11,120) | (58,406) | (25,187) | (3,989) |
| Interest on bank borrowings | 182,864 | 482,446 | 478,132 | 169,029 | 153,390 |
| | 3,625,758 | 5,100,738 | 6,431,273 | 4,054,493 | 3,583,661 |
| **Change in working capital:** | | | | | |
| Inventories | (1,745,472) | 3,841,081 | 2,817,368 | (645,767) | (1,887,364) |
| Trade receivables | 1,137,795 | (3,651,555) | (1,419,093) | (1,127,863) | (1,791,572) |
| Deposits, prepayments and other receivable | (240,214) | (7,128,568) | 6,888,630 | 5,959,104 | 445,380 |
| Contract assets | 2,331,182 | – | – | – | – |
| Amount due from/to a related company | 146,529 | (14,060,000) | 54,599 | 190,000 | 612,173 |
| Amount due from/to sole director | (11,121,121) | 9,084,865 | 274,839 | 371,946 | (720,000) |
| Trade payables | 1,960,289 | (1,340,584) | 18,268 | 59,882 | 641,046 |
| Other payables and accrued expenses | (56,349) | 77,445 | 1,517,011 | 696,076 | (1,738,342) |
| Contract liabilities | (36,808) | (632) | 12,711 | 9,903 | 2,831 |
| **Cash (used in)/generated from operations** | (3,998,411) | (8,077,210) | 16,595,606 | 9,567,774 | (852,187) |

(b) Reconciliation of liabilities arising from financing activities is as follows:

| | **Bank borrowings** |
|---|---|
| | *HK$* |
| At 1 April 2019 | – |
| **Changes from financing cash flows:** | |
| Proceeds from borrowings | 8,000,000 |
| Repayments of borrowings | (679,592) |
| Interest paid | (182,864) |
| **Other change:** | |
| Interest expenses | 182,864 |
| At 31 March 2020 and 1 April 2020 | 7,320,408 |
| **Changes from financing cash flows:** | |
| Proceeds from borrowings | 11,000,000 |
| Repayments of borrowings | (2,723,063) |
| Interest paid | (482,446) |
| **Other change:** | |
| Interest expenses | 482,446 |
| At 31 March 2021 and 1 April 2021 | 15,597,345 |
| **Changes from financing cash flows:** | |
| Proceeds from borrowings | 2,000,000 |
| Repayments of borrowings | (3,230,162) |
| Interest paid | (478,132) |
| **Other change:** | |
| Interest expenses | 478,132 |
| At 31 March 2022 and 1 April 2022 | 14,367,183 |
| **Changes from financing cash flows:** | |
| Repayments of borrowings | (860,165) |
| Interest paid | (153,390) |
| **Other change:** | |
| Interest expenses | 153,390 |
| At 31 July 2022 | 13,507,018 |

## 22 RELATED PARTY TRANSACTIONS

The sole director is the only key management personnel of Target Company I. Details of his emoluments is disclosed in Note 8 to the Historical Financial Information. Other related party transactions are as follows:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| Fish processing cost | 3,360,000 | 3,360,000 | 3,360,000 | 1,120,000 | 1,120,000 |

*Note:* Fish processing cost is paid or payable to a related company, Legend International Food Limited, which is controlled by Target Company I's sole shareholder, Mr. Lin Ruiping.

## 23 CONTINGENT LIABILITIES

As at 31 March 2020, 2021 and 2022 and 31 July 2022, Target Company I had no significant contingent liabilities.

## 24 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Target Company I in respect of any period subsequent to 31 July 2022 and up to the date of this report.

*The following is the text of a report received from the Company's reporting accountant, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

bakertilly
天職國際

**Accountants' report on Historical Financial Information of Legend International Food Limited**
*(Incorporated in Hong Kong with limited liability)*

*To the Board of Directors of Huabang Technology Holdings Limited*

**Introduction**

We report on the Historical Financial Information of Legend International Food Limited ("**Target Company II**") set out on pages II(B)-79 to II(B)-118, which comprised the statements of financial position of Target Company II as at 31 March 2020, 2021 and 2022 and 31 July 2022, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Target Company II for each of the years ended 31 March 2020, 2021 and 2022, and the four months ended 31 July 2022 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together referred to as the "**Historical Financial Information**"). The Historical Financial Information set out on pages II(B)-79 to II(B)-118 forms an integral part of this report, which has been prepared for inclusion in the circular of Huabang Technology Holdings Limited (the "**Company**") dated 16 December 2022 (the "**Circular**") in connection with the proposed acquisition of 100% of issued share capital of Target Company II (the "**Proposed Transaction**").

**Directors' responsibility for the Historical Financial Information**

The sole director of Target Company II is 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, and for such internal control as the sole director determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of Target Company II is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment

Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 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 sole director of Target Company II, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Target Company II as at 31 March 2020, 2021 and 2022 and 31 July 2022 and of the financial performance and its cash flows of Target Company II the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of Target Company II which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 31 July 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The sole director of Target Company II is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

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

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II(B)-78 has been made.

***Dividends***

We refer to Note 18(c) to the Historical Financial Information which states that no dividends have been declared and paid by Target Company II in respect of the Relevant Periods.

**Baker Tilly Hong Kong Limited**
*Certified Public Accountants*

Hong Kong, 16 December 2022

**Gao Yajun**
Practising certificate number P06391

## HISTORICAL FINANCIAL INFORMATION OF TARGET COMPANY II

### 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 Target Company II for the Relevant Periods, on which the Historical Financial Information is based, were audited by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**").

**Legend International Food Limited**
**Statements of profit or loss and other comprehensive income**
(Expressed in Hong Kong dollars)

| | | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|---|
| | | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *Note* | *HK$* | *HK$* | *HK$* | *HK$* (Unaudited) | *HK$* |
| **Revenue** | *5* | 3,360,000 | 3,360,000 | 3,360,000 | 1,120,000 | 1,120,000 |
| Administrative expenses | | (3,744,314) | (2,747,441) | (3,265,433) | (1,047,050) | (720,567) |
| Other income and other gains, net | *6* | 570,268 | 654,643 | 90,001 | 30,000 | – |
| (Provision of)/reversal of expected credit loss on financial assets | | (66,026) | 1,269 | – | – | – |
| **Operating profit** | | 119,928 | 1,268,471 | 184,568 | 102,950 | 399,433 |
| Finance costs | *7(b)* | (77,847) | (42,327) | (70,362) | (6,859) | (57,847) |
| **Profit before income tax** | *7* | 42,081 | 1,226,144 | 114,206 | 96,091 | 341,586 |
| Income tax expenses | *10* | – | (136,388) | (34,217) | (9,223) | (39,067) |
| **Profit and total comprehensive income for the year/ period** | | 42,081 | 1,089,756 | 79,989 | 86,868 | 302,519 |

**Legend International Food Limited**
**Statements of financial position**
(Expressed in Hong Kong dollars)

| | | As at 31 March | | | As at 31 July |
|---|---|---|---|---|---|
| | | **2020** | **2021** | **2022** | **2022** |
| | *Note* | *HK$* | *HK$* | *HK$* | *HK$* |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *11* | 3,960 | 1,980 | – | – |
| Right-of-use assets | *12* | 2,244,560 | 970,528 | 6,577,052 | 6,190,167 |
| | | 2,248,520 | 972,508 | 6,577,052 | 6,190,167 |
| **Current assets** | | | | | |
| Trade receivables | *13* | 58,731 | – | – | – |
| Deposits, prepayments and other receivable | *13* | 613,783 | 506,150 | 488,440 | 287,500 |
| Amount due from a related company | *14* | 12,925,286 | – | – | – |
| Tax recoverable | | – | – | 112,171 | 73,104 |
| Cash and cash equivalents | *15* | 91,621 | 239,811 | 213,036 | 208,082 |
| | | 13,689,421 | 745,961 | 813,647 | 568,686 |
| **Total assets** | | 15,937,941 | 1,718,469 | 7,390,699 | 6,758,853 |
| **Equity** | | | | | |
| Share capital | *18* | 10,000 | 10,000 | 10,000 | 10,000 |
| Accumulated losses | | (1,846,743) | (756,987) | (676,998) | (374,479) |
| **Net deficit** | | (1,836,743) | (746,987) | (666,998) | (364,479) |

**Statements of financial position (continued)**

| | | As at 31 March | | | As at 31 July |
|---|---|---|---|---|---|
| | | **2020** | **2021** | **2022** | **2022** |
| | *Note* | *HK$* | *HK$* | *HK$* | *HK$* |
| **LIABILITIES** | | | | | |
| **Non-current liability** | | | | | |
| Lease liabilities | *17* | 947,696 | – | 5,792,331 | 5,482,131 |
| **Current liabilities** | | | | | |
| Trade payables | *16* | 162,565 | 162,565 | 162,565 | 162,565 |
| Other payables and accrued expenses | *16* | 191,692 | 109,950 | 108,229 | 88,191 |
| Amount due to a related company | *14* | – | 1,134,714 | 1,080,115 | 467,942 |
| Amount due to sole director | *14* | 15,206,291 | – | – | – |
| Lease liabilities | *17* | 1,266,440 | 947,695 | 914,457 | 922,503 |
| Tax payables | | – | 110,532 | – | – |
| | | 16,826,988 | 2,465,456 | 2,265,366 | 1,641,201 |
| **Total liabilities** | | 17,774,684 | 2,465,456 | 8,057,697 | 7,123,332 |
| **Total equity and liabilities** | | 15,937,941 | 1,718,469 | 7,390,699 | 6,758,853 |
| **Net current liabilities** | | (3,137,567) | (1,719,495) | (1,451,719) | (1,072,515) |
| **Total assets less current liabilities** | | (889,047) | (746,987) | 5,125,333 | 5,117,652 |

**Legend International Food Limited**
**Statements of changes in equity**
(Expressed in Hong Kong dollars)

| | Share capital | Accumulated losses | Total |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| **Balance at 1 April 2019** | 10,000 | (1,888,824) | (1,878,824) |
| Profit and total comprehensive income for the year | – | 42,081 | 42,081 |
| **Balance at 31 March 2020 and 1 April 2020** | 10,000 | (1,846,743) | (1,836,743) |
| Profit and total comprehensive income for the year | – | 1,089,756 | 1,089,756 |
| **Balance at 31 March 2021 and 1 April 2021** | 10,000 | (756,987) | (746,987) |
| Profit and total comprehensive income for the year | – | 79,989 | 79,989 |
| **Balance at 31 March 2022 and 1 April 2022** | 10,000 | (676,998) | (666,998) |
| Profit and total comprehensive income for the period | – | 302,519 | 302,519 |
| **Balance at 31 July 2022** | 10,000 | (374,479) | (364,479) |
| **Unaudited** | | | |
| **Balance at 1 April 2021** | 10,000 | (756,987) | (746,987) |
| Profit and total comprehensive income for the period | – | 86,868 | 86,868 |
| **Balance at 31 July 2021** | 10,000 | (670,119) | (660,119) |

**Legend International Food Limited**
**Statements of cash flows**
(Expressed in Hong Kong dollars)

| | | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *Note* | *HK$* | *HK$* | *HK$* | *HK$* (Unaudited) | *HK$* |
| **Cash flows from operating activities** | | | | | | |
| Cash generated from operations | *20(a)* | 1,116,453 | 1,008,171 | 1,408,629 | 356,722 | 355,047 |
| Income tax paid | | – | (25,856) | (256,920) | – | – |
| **Net cash generated from operating activities** | | 1,116,453 | 982,315 | 1,151,709 | 356,722 | 355,047 |
| **Cash flows from investing activities** | | | | | | |
| Proceeds from disposal of property, plant and equipment | | – | 150,000 | – | – | – |
| Interest received | | 12 | 1 | 1 | – | – |
| **Net cash generated from investing activities** | | 12 | 150,001 | 1 | – | – |

**Statements of cash flows (continued)**

| | | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *Note* | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | | (Unaudited) | |
| **Cash flows from financing activities** | | | | | | |
| Capital element of leases paid | *20(b)* | (1,043,673) | (941,799) | (1,108,123) | (418,927) | (302,154) |
| Interest paid on leases liabilities | *20(b)* | (77,768) | (42,327) | (70,336) | (6,833) | (57,847) |
| Interest paid on bank overdraft | | (79) | – | (26) | (26) | – |
| **Net cash used in financing activities** | | (1,121,520) | (984,126) | (1,178,485) | (425,786) | (360,001) |
| **Net (decrease)/increase in cash and cash equivalents** | | (5,055) | 148,190 | (26,775) | (69,064) | (4,954) |
| Cash and cash equivalents at the beginning of the year/period | | 96,676 | 91,621 | 239,811 | 239,811 | 213,036 |
| **Cash and cash equivalents at the end of the year/period** | *15* | 91,621 | 239,811 | 213,036 | 170,747 | 208,082 |

## Notes to the Historical Financial Information

(Expressed in Hong Kong dollars)

### 1 GENERAL INFORMATION

Legend International Food Limited ("**Target Company II**") is principally engaged in provision of processing and preserving of fish.

Target Company II is a private company incorporated in Hong Kong with limited liability. The address of its registered office is G/F., Wang Cheung Industrial Building, 168 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

At 31 March 2020, 2021 and 2022 and 31 July 2022, the sole director considers there to be no immediate holding company or ultimate holding company for Target Company II.

The Historical Financial Information is presented in Hong Kong dollars (**"HK$**"), which is also the functional currency of Target Company II.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods.

#### 2.1 Basis of preparation

The Historical Financial Information of Target Company II has been prepared in accordance with Hong Kong Financial Reporting Standards ("**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**"). 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.

Target Company II had net current liabilities of HK$3,137,567, HK$1,719,495, HK$1,451,719, HK$1,072,515 and net liabilities of HK$1,836,743, HK$746,987, HK$666,998, HK$364,479 as at 31 March 2020, 2021 and 2022 and 31 July 2022 respectively. A related company of Target Company II, has confirmed its intention to provide financial support for the continuing operations of Target Company II so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months as from the date of this report. The sole director believes that Target Company II will continue as a going concern. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Target Company II's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3.

*(a) New standards and interpretations issued but not yet effective*

Certain new accounting standards and amendments listed below have been published but are not mandatory to be adopted for the Relevant Periods and have not been early adopted by Target Company II. These standards and amendments are either currently not relevant to Target Company II or had no material impact on Target Company II's financial statements.

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)[1] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Hong Kong Interpretation 5 (2020) Presentation of Financial Statements | Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause[1] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[1] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1] |
| HKFRS 17 | Insurance Contracts and the related Amendments[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after a date to be determine

## 2.2 Revenue recognition

***Revenue from contracts with customers***

Target Company II recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or 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 Target Company II's performance as Target Company II performs;

– Target Company II's performance creates and enhances an asset that the customer controls as Target Company II performs; or

– Target Company II's performance does not create an asset with an alternative use to Target Company II and Target Company II has an enforceable right to payment for performance completed to date.

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

A contract asset represents Target Company II's right to consideration in exchange for goods or services that Target Company II has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents Target Company II's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

***2.2.1 Service income from fish processing***

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 goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict Target Company II's performance in transferring control of goods or services.

***2.2.2 Bank interest income***

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost of the financial assets.

**2.3 Government grants**

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which Target Company II recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that Target Company II should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 Target Company II with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

**2.4 Taxation**

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the relevant year/period. Taxable profit differs from "profit before income tax" as reported in the statement of profit or loss because of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. Target Company II's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable 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 when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, Target Company II applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, Target Company II considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

**2.5 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 at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. 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 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.

Depreciation on property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Office equipment | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**2.6 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 or modified on or after the date of initial application or arising from business combinations, Target Company II assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

***Target Company II as a lessee***

*Right-of-use assets*

The cost of right-of-use asset includes

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by Target Company II; and

– an estimate of costs to be incurred by Target Company II in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustment to lease liabilities resulting from Covid-19-related rent concessions in which Target Company II applied the practical expedient.

Right-of-use assets in which Target Company II is reasonably certain to obtain ownership of the underlying leased assets at the end of lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, the estimated useful lives are as follows:

| | |
|---|---|
| Leasehold properties | 50 years |
| Motor vehicle | 5 years |

*Lease liabilities*

At the commencement date of a lease, Target Company II recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, Target Company II uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Target Company II remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

*Covid-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, Target Company II has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

**2.7 Impairment on tangible assets**

At the end of the reporting period, Target Company II reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets is estimated individually. When it is not possible to estimate the recoverable amount individually, Target Company II estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 cash-generating unit, Target Company II compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. 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 other 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 a cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**2.8 Provision**

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**2.9 Employee benefits**

***(a) Pension obligations***

Target Company II participates in general defined contribution pension schemes. A defined contribution plan is a pension plan under which Target Company II pays fixed contributions into a separate entity. Target Company II has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Target Company II pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Target Company II has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

***(b) Bonus plans***

The expected cost of bonus payments is recognised as a liability when Target Company II has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

***(c) Employee leave entitlements***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**2.10 Financial assets**

***2.10.1 Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Target Company II's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which Target Company II has applied the practical expedient of not adjusting the effect of a significant financing component, Target Company II initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which Target Company II has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

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

Target Company II's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

***2.10.2 Subsequent measurement***

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

*Financial assets at amortised cost (debt instruments)*

Target Company II measures financial assets at amortised cost if both of the following conditions are met:

– The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

***2.10.3 Impairment of financial assets***

Target Company II performs impairment assessment under expected credit loss ("**ECL**") model on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date 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 reporting date. Assessments are done based on Target Company II'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 reporting date as well as the forecast of future conditions.

Target Company II always recognises lifetime ECL for trade receivables. For all other instruments, Target Company II measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case Target Company II 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.

*(i) Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, Target Company II compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Target Company II 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.

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;

– actual or expected significant deterioration in the operating results of the debtor;

– 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, Target Company II presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Target Company II has reasonable and supportable information that demonstrates otherwise.

Target Company II 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.

*(ii) Definition of default*

For internal credit risk management, Target Company II considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Target Company II, in full (without taking into account any collaterals held by Target Company II).

Irrespective of the above, Target Company II considers that default has occurred when a financial asset is more than 90 days past due unless Target Company II has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii) Credit-impaired financial assets*

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

(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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

*(iv) Write-off policy*

Target Company II writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

Financial assets written off may still be subject to enforcement activities under Target Company II'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.

*(v) 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 and 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. Target Company II uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the impairment allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the impairment allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the impairment allowance is measured at an amount equal to lifetime ECLs

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, Target Company II takes into consideration the following characteristics when formulating the grouping:

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

*(vi) Derecognition of financial assets*

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

– the rights to receive cash flows from the asset have expired; or

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

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

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

**2.11 Financial liabilities**

***(i) Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

***(ii) Subsequent measurement***

Financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss: this classification is applied to derivatives and financial liabilities held for trading. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

***(iii) Derecognition of financial liabilities***

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

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

**2.12 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.13 Related parties**

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

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over Target Company II;

(ii) has significant influence over Target Company II; or

(iii) is a member of the key management personnel of Target Company II or of a parent of Target Company II; or

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

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

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

(iii) the entity and Target Company II 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 Target Company II or an entity related to Target Company II;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Target Company II or to the parent of Target Company II.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of Target Company II's accounting policies, which are described in Note 2, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future financial period.

***(a) Provision for ECL allowance on financial assets measured at amortised cost***

Target Company II calculates ECL allowance for financial assets measured at amortised cost, based on the estimated probability of default of counterparties with similar credit ratings, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate. At each reporting date, Target Company II assesses whether the credit risk on a financial instrument has increased significantly since initial recognition or considers a financial asset in default.

***(b) Useful lives of property, plant and equipment***

Target Company II's management determines the estimated useful lives, and related depreciation for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

***(c) Impairment of non-current assets***

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value in use which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value in use used in the impairment test and as a result affect Target Company II's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

Target Company II's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. Target Company II's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Target Company II's financial performance. Target Company II has not used any derivative financial instruments to hedge its risk exposures.

***(a) Interest rate risk***

At 31 March 2020, 2021 and 2022 and 31 July 2022, Target Company II did not have significant interest-bearing financial assets and liabilities. Target Company II's exposure to the risk of changes in market interest rates relates primarily to Target Company II's bank balance. Accordingly, Target Company II has no significant cash flow interest rate risk.

Target Company II currently does not use any interest rate swap contracts or other financial instruments to hedge against its cash flow interest rate risk exposure. Management monitors interest rate fluctuations to ensure that exposure to cash flow interest rate risk is within an acceptable level.

***(b) Credit risk***

Credit risk is the risk that Target Company II will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Target Company II manages and controls credit risk at company level and has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

The credit risk on liquid funds, including cash and cash equivalents is limited because cash at banks are placed with reputable financial institutions in Hong Kong which management believes are of sound credit quality and without significant credit risk.

For amount due from a related company, the management considers Target Company II's credit risk to be minimal taking into account the financial position of the related company. For deposits and other receivables, the management makes periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and Target Company II provided impairment based on 12m ECL. As at 31 March 2020, 2021, 2022 and 31 July 2022, Target Company II assessed the ECL were insignificant and thus no loss allowance was recognised.

Target Company II manages and analyses the credit risk from trade receivables for each of their new and existing customers before standard payment terms and conditions are offered. If there is no independent rating, Target Company II assesses the credit quality of the customers based on their financial positions, past experience and other factors. Target Company II has concentrations of credit risks from trade receivables from its customers. Target Company II maintains frequent communications with the customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Settlements from the customers are closely monitored on an ongoing basis by management of Target Company II to ensure any overdue debts are identified. Follow-up action is taken to recover any overdue debts.

The tables below show the credit quality and the maximum exposure to credit risk based on Target Company II's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 March 2020, 2021, 2022 and 31 July 2022. The amounts presented are gross carrying amounts for financial assets.

*Maximum exposure as at 31 March 2020*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified approach** | |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables | – | 30,000 | 64,757 | 30,000 | 124,757 |
| Financial assets included in deposits, prepayments and other receivable | | | | | |
| – Not yet past due | 612,417 | – | – | – | 612,417 |
| Amount due from a related company | | | | | |
| – Not yet past due | 12,925,286 | – | – | – | 12,925,286 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 91,621 | – | – | – | 91,621 |
| | 13,629,324 | 30,000 | 64,757 | 30,000 | 13,754,081 |

*Maximum exposure as at 31 March 2021*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified approach** | |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables | – | – | 64,757 | – | 64,757 |
| Financial assets included in deposits, prepayments and other receivable | | | | | |
| – Not yet past due | 505,040 | – | – | – | 505,040 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 239,811 | – | – | – | 239,811 |
| | 744,851 | – | 64,757 | – | 809,608 |

*Maximum exposure as at 31 March 2022*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables | – | – | 64,757 | – | 64,757 |
| Financial assets included in deposits, prepayments and other receivable | | | | | |
| – Not yet past due | 398,190 | – | – | – | 398,190 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 213,036 | – | – | – | 213,036 |
| | 611,226 | – | 64,757 | – | 675,983 |

*Maximum exposure as at 31 July 2022*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| Financial assets included in deposits, prepayments and other receivable | | | | | |
| – Not yet past due | 287,500 | – | – | – | 287,500 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 208,082 | – | – | – | 208,082 |
| | 495,582 | – | – | – | 495,582 |

***(c) Liquidity risk***

With prudent liquidity risk management, Target Company II aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available banking facilities and financial support from related party.

The following table details the remaining contractual maturities at the end of the reporting period of Target Company II's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date Target Company II can be required to pay:

| | 31 March 2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total contractual undiscounted cash flow** | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **Within 2 to 5 years** | **Over 5 years** |
| | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* |
| Trade payables | 162,565 | 162,565 | 162,565 | – | – | – |
| Other payables and accrued expenses | 191,692 | 191,692 | 191,692 | – | – | – |
| Amount due to sole director | 15,206,291 | 15,206,291 | 15,206,291 | – | – | – |
| Lease liabilities | 2,214,136 | 2,235,240 | 1,277,280 | 957,960 | – | – |
| | 17,774,684 | 17,795,788 | 16,837,828 | 957,960 | – | – |

| | 31 March 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total contractual undiscounted cash flow** | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **Within 2 to 5 years** | **Over 5 years** |
| | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* |
| Trade payables | 162,565 | 162,565 | 162,565 | – | – | – |
| Other payables and accrued expenses | 109,950 | 109,950 | 109,950 | – | – | – |
| Amount due to a related company | 1,134,714 | 1,134,714 | 1,134,714 | – | – | – |
| Lease liabilities | 947,695 | 957,960 | 957,960 | – | – | – |
| | 2,354,924 | 2,365,189 | 2,365,189 | – | – | – |

| | 31 March 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Total contractual undiscounted cash flow** | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **Within 2 to 5 years** | **Over 5 years** |
| | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* |
| Trade payables | 162,565 | 162,565 | 162,565 | – | – | – |
| Other payables and accrued expenses | 108,229 | 108,229 | 108,229 | – | – | – |
| Amount due to a related company | 1,080,115 | 1,080,115 | 1,080,115 | – | – | – |
| Lease liabilities | 6,706,788 | 7,264,800 | 1,080,000 | 1,134,000 | 4,057,200 | 993,600 |
| | 8,057,697 | 8,615,709 | 2,430,909 | 1,134,000 | 4,057,200 | 993,600 |

| | 31 July 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | Within 2 to 5 years | Over 5 years |
| | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* | *HKD* |
| Trade payables | 162,565 | 162,565 | 162,565 | – | – | – |
| Other payables and accrued expenses | 88,191 | 88,191 | 88,191 | – | – | – |
| Amount due to a related company | 467,942 | 467,942 | 467,942 | – | – | – |
| Lease liabilities | 6,404,634 | 6,904,800 | 1,080,000 | 1,188,000 | 4,140,000 | 496,800 |
| | 7,123,332 | 7,623,498 | 1,798,698 | 1,188,000 | 4,140,000 | 496,800 |

### 4.2 Capital risk management

Target Company II's objectives when managing capital are to safeguard Target Company II's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Target Company II's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Target Company II consists of net debts, which includes trade payables, amount due to a related company, amount due to sole director, other payables and accrued expenses and lease liabilities, net of cash and cash equivalents, and share capital and accumulated losses.

The management of Target Company II reviews the capital structure periodically and considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the issue of new debts or the redemption of existing debts.

## 5 REVENUE AND SEGMENT INFORMATION

**Revenue**

An analysis of revenue is as follows:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *HK$* | *HK$* | *HK$* | *HK$* (Unaudited) | *HK$* |
| Revenue from contracts with customers *(Note i)* | 3,360,000 | 3,360,000 | 3,360,000 | 1,120,000 | 1,120,000 |

*(i) Disaggregated revenue information for revenue from contracts with customers*

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Service income from fish processing | 3,360,000 | 3,360,000 | 3,360,000 | 1,120,000 | 1,120,000 |

**Segment information**

For management purposes, Target Company II has only one reportable operating segment which is the processing and preserving of fish in Hong Kong. Since this is the only one reportable operating segment of Target Company II, no further operating segment analysis thereof is presented.

## 6 OTHER INCOME AND OTHER GAINS, NET

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Interest income | 12 | 1 | 1 | – | – |
| Exchange gains, net | 8,358 | – | – | – | – |
| Gain on disposal of property, plant and equipment | – | 150,000 | – | – | – |
| Covid-19-related rent concessions | 201,898 | 324,642 | – | – | – |
| Sundry income | 360,000 | 180,000 | 90,000 | 30,000 | – |
| | 570,268 | 654,643 | 90,001 | 30,000 | – |

## 7 PROFIT BEFORE TAXATION

Profit before income tax expense is arrived at after charging/(crediting):

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| *(a) Staff cost (including director's remuneration in Note 8):* | | | | | |
| Salaries, wages and other benefit | 1,092,123 | 717,939 | 1,105,954 | 365,000 | 269,595 |
| Mandatory Provident Fund contributions | 54,606 | 52,847 | 55,298 | 18,250 | 16,680 |
| *(b) Finance cost:* | | | | | |
| Interest on lease liabilities | 77,768 | 42,327 | 70,336 | 6,833 | 57,847 |
| Interest on bank overdraft | 79 | – | 26 | 26 | – |
| *(c) Other items:* | | | | | |
| Auditor's remuneration | 18,000 | 18,000 | 18,000 | – | – |
| Depreciation of right-of-use assets | 1,274,032 | 1,274,032 | 1,260,692 | 424,677 | 386,885 |
| Depreciation of property, plant and equipment | 1,980 | 1,980 | 1,980 | 660 | – |
| Exchange gains, net | (8,358) | – | – | – | – |

*Note:* For the year ended 31 March 2021 and the four months ended 31 July 2022, Covid-19-related government grants under "Employment Support Scheme" of the Hong Kong Government amounting to HK$339,000 and HK$64,000 respectively, have been offset against staff costs.

## 8 DIRECTOR'S EMOLUMENTS

No emoluments were paid to Target Company II's sole director during the Relevant Periods.

During the Relevant Period, there are no loans, quasi-loans and other dealing arrangements in favour of the sole director, controlled bodies corporate by and connected entities with such director.

## 9 THE FIVE HIGHEST PAID EMPLOYEES

Emoluments payable to the highest paid employees during the relevant periods as follows:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Salaries and other benefit | 1,092,123 | 1,056,939 | 1,105,954 | 365,000 | 333,595 |
| Mandatory Provident Fund contributions | 54,506 | 52,847 | 55,298 | 18,250 | 16,680 |
| | 1,146,629 | 1,109,786 | 1,161,252 | 383,250 | 350,275 |

Their emoluments were within the following bands:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | | | | (Unaudited) | |
| Nil to HK$200,000 | 3 | 2 | 2 | 4 | 4 |
| HK$200,000 to HK$400,000 | 2 | 3 | 3 | – | – |
| HK$400,000 to HK$600,000 | – | – | – | – | – |
| | 5 | 5 | 5 | 4 | 4 |

*Note:* Target Company II has only four employees during the four months period ended 31 July 2021 and 2022.

## 10 INCOME TAX

Income tax expense in the statement of profit or loss and other comprehensive income represents:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Current income tax | | | | | |
| – Hong Kong Profits Tax | – | 136,388 | 34,217 | 9,223 | 39,067 |

Target Company II is not eligible for 8.25% tax band under the two-tiered tax regime introduced by the Hong Kong SAR Government for the Relevant Periods as this concession has been taken by a connected entity as defined in the Inland Revenue Ordinance. Provision for Hong Kong Profits Tax has been made at 16.5% on the estimated assessable profits derived by Target Company II during the Relevant Periods.

No deferred tax liabilities and assets have been recognised as Target Company II does not have any significant temporary differences.

The charge for the Relevant Periods can be reconciled to the profit for the statement of profit or loss and other comprehensive income as follows:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Profit before income tax | 42,081 | 1,226,144 | 114,206 | 96,091 | 341,586 |
| Tax calculated at Hong Kong Profits Tax rate of 16.5% | 6,943 | 202,314 | 18,844 | 15,855 | 56,362 |
| Tax effect of: | | | | | |
| – Expenses not deductible | 53,857 | 50,051 | 15,270 | – | 3,296 |
| – Income not subject to tax | (33,315) | (109,710) | – | – | (10,560) |
| – Temporary difference not recognised | (1,628) | 3,733 | 10,103 | 3,368 | (31) |
| – Tax loss utilised | (17,038) | – | – | – | – |
| – Tax concession | (8,819) | (10,000) | (10,000) | (10,000) | (10,000) |
| Income tax expenses | – | 136,388 | 34,217 | 9,223 | 39,067 |

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Motor vehicles | Office equipment | Total |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| **Cost** | | | |
| At 1 April 2019 and 31 March 2020 and 1 April 2020 | 600,000 | 9,900 | 609,900 |
| Disposal | (600,000) | – | (600,000) |
| At 31 March 2021, 1 April 2021, 31 March 2022, 1 April 2022 and 31 July 2022 | – | 9,900 | 9,900 |
| **Accumulated depreciation and impairment** | | | |
| At 1 April 2019 | 600,000 | 3,960 | 603,960 |
| Provided for the year | – | 1,980 | 1,980 |
| At 31 March 2020 and 1 April 2020 | 600,000 | 5,940 | 605,940 |
| Provided for the year | – | 1,980 | 1,980 |
| Eliminated on disposal | (600,000) | – | (600,000) |
| At 31 March 2021 and 1 April 2021 | – | 7,920 | 7,920 |
| Provided for the year | – | 1,980 | 1,980 |
| At 31 March 2022, 1 April 2022 and 31 July 2022 | – | 9,900 | 9,900 |
| **Net carrying amount** | | | |
| At 31 March 2020 | – | 3,960 | 3,960 |
| At 31 March 2021 | – | 1,980 | 1,980 |
| At 31 March 2022 | – | – | – |
| At 31 July 2022 | – | – | – |

**12 RIGHTS-OF-USE ASSETS**

| | Motor vehicle *HK$* | Leasehold properties *HK$* | Total *HK$* |
|---|---|---|---|
| **Net carrying amount:** | | | |
| At 31 March 2020 | 120,040 | 2,124,520 | 2,244,560 |
| At 31 March 2021 | 60,020 | 910,508 | 970,528 |
| At 31 March 2022 | – | 6,577,052 | 6,577,052 |
| At 31 July 2022 | – | 6,190,167 | 6,190,167 |

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** *HK$* | **2021** *HK$* | **2022** *HK$* | **2021** *HK$* (Unaudited) | **2022** *HK$* |
| Depreciation charge | 1,274,032 | 1,274,032 | 1,260,692 | 424,677 | 386,885 |
| Total cash outflow for leases | 1,121,441 | 984,126 | 1,178,459 | 425,760 | 360,001 |
| Additions to right-of-use assets | – | – | 6,867,216 | – | – |

Target Company II leases workshops (Note 17(i)) and a motor vehicle (Note 17(ii)) for its operations. Lease contracts are entered into for fixed term of three to six years, but may have termination options. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, Target Company II applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 March 2022, Target Company II entered into a new lease agreement and recognised an addition to right-of-use asset of HK$6,867,216.

## 13 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables *(Note a)* | 58,731 | – | – | – |
| Deposits and other receivable *(Note b)* | 612,417 | 505,040 | 398,190 | 287,500 |
| Prepayments | 1,366 | 1,110 | 90,250 | – |
| Deposits, prepayments and other receivable | 613,783 | 506,150 | 488,440 | 287,500 |
| Total trade receivables, deposits, prepayments and other receivable | 672,514 | 506,150 | 488,440 | 287,500 |

All trade receivables, deposits, prepayments and other receivable are denominated in Hong Kong Dollars. Target Company II does not hold any collateral as security for trade receivables, deposits, prepayments and other receivables.

*Notes:*

(a) Analysis of trade receivable

The carrying amount of trade receivables of Target Company II was as follows:

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables | 124,757 | 64,757 | 64,757 | – |
| Less: Impairment | (66,026) | (64,757) | (64,757) | – |
| | 58,731 | – | – | – |

(i) Target Company II grants credit period of 30 days to its customers. The aging analysis of relevant trade receivables at the date of statement of financial position based on invoice date and before impairment allowance is as follows:

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| 1 – 30 days | 30,000 | – | – | – |
| 31 – 60 days | 30,000 | – | – | – |
| 61 – 90 days | – | – | – | – |
| 91 – 180 days | – | – | – | – |
| Over 180 days | 64,757 | 64,757 | 64,757 | – |
| | 124,757 | 64,757 | 64,757 | – |

(ii) The following is the analysis of the gross carrying amount of the trade receivables as at 31 March 2020, 2021 and 2022 by ECL assessment and year end classification:

| | As at 31 March 2020 | | |
|---|---|---|---|
| | **Non-credit-impaired** | **Credit-impaired** | **Total** |
| | *HK$* | *HK$* | *HK$* |
| Trade receivables | | | |
| – Not yet past due | 30,000 | – | 30,000 |
| – Past due | 30,000 | 64,757 | 94,757 |
| | 60,000 | 64,757 | 124,757 |

| | As at 31 March 2021 | | |
|---|---|---|---|
| | **Non-credit-impaired** | **Credit-impaired** | **Total** |
| | *HK$* | *HK$* | *HK$* |
| Trade receivables | | | |
| – Not yet past due | – | – | – |
| – Past due | – | 64,757 | 64,757 |
| | – | 64,757 | 64,757 |

| | As at 31 March 2022 | | |
|---|---|---|---|
| | **Non-credit-impaired** *HK$* | **Credit-impaired** *HK$* | **Total** *HK$* |
| Trade receivables | | | |
| – Not yet past due | – | – | – |
| – Past due | – | 64,757 | 64,757 |
| | – | 64,757 | 64,757 |

(iii) The movements in the impairment allowance of trade receivables were as follows:

| | **Non-credit impaired** *HK$* | **Credit-impaired** *HK$* | **Total** *HK$* |
|---|---|---|---|
| As at 1 April 2019 | – | – | – |
| Impairment losses recognised | 1,269 | 64,757 | 66,026 |
| As at 31 March 2020 and 1 April 2020 | 1,269 | 64,757 | 66,026 |
| Impairment losses reversed | (1,269) | – | (1,269) |
| As at 31 March 2021, 1 April 2021 and 31 March 2022 | – | 64,757 | 64,757 |
| Written-off | – | (64,757) | (64,757) |
| As at 31 July 2022 | – | – | – |

The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix to estimate the lifetime ECL (non-credit-impaired). Debtors of credit-impaired with gross carrying amounts of HK$64,757, HK$64,757, HK$64,757 and HK$nil as at 31 March 2020, 2021 and 2022 and 31 July 2022 respectively were assessed individually. As at 31 March 2021 and 2022 and 31 July 2022, there is HK$nil trade receivable subject to collective assessment, accordingly the expected credit loss rate table is not presented.

**As at 31 March 2020**

| | **Not past due** | **Past due** | **Total** |
|---|---|---|---|
| Expected credit loss rate | 0.17% | 4.06% | 2.12% |
| Gross carrying amount (HK$) | 30,000 | 30,000 | 60,000 |
| Expected credit losses (HK$) | 51 | 1,218 | 1,269 |

(b) Deposits and other receivable

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Deposits | 600,417 | 493,040 | 386,190 | 275,500 |
| Other receivable | 12,000 | 12,000 | 12,000 | 12,000 |
| | 612,417 | 505,040 | 398,190 | 287,500 |

Deposits mainly represented rental and premises damage and reinstatement deposits paid to landlords at the inception of entering into tenancy agreements.

Other receivable represented advance to a third party. The amount is interest free, unsecured and repayable on demand.

No ECL allowance for deposits and other receivable is recognised as there has been no significant increase in credit risk since initial recognition.

## 14 AMOUNTS DUE FROM/(TO) A RELATED COMPANY/SOLE DIRECTOR

The amounts due from/to a related company, Shag Mei International Food Limited, which is controlled by Target Company II's sole shareholder, and sole director are interest free, unsecured and repayable on demand.

## 15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are denominated in the following currencies:

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| **Cash on hand** | | | | |
| HK$ | 91,194 | 239,384 | 213,036 | 208,082 |
| **Cash at banks** | | | | |
| HK$ | 427 | 427 | – | – |
| | 91,621 | 239,811 | 213,036 | 208,082 |

Cash at banks earns interest at floating rates based on prevailing bank deposit rates of respective banks.

As at 31 March 2020, 2021, 2022 and 31 July 2022, no impairment was made on cash and cash equivalents.

## 16 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade payables | 162,565 | 162,565 | 162,565 | 162,565 |
| Other payables and accrued expenses | 191,692 | 109,950 | 108,229 | 88,191 |
| Total trade payables, other payables and accrued expenses | 354,257 | 272,515 | 270,794 | 250,756 |

All trade payables, other payables and accrued expenses of Target Company II are denominated in Hong Kong Dollars.

## 17 LEASE LIABILITIES

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| **Minimum lease payment due** | | | | |
| Within one year | 1,308,417 | 957,960 | 1,080,000 | 1,080,000 |
| Between one and two years | 957,960 | – | 1,134,000 | 1,188,000 |
| Between two to five years | – | – | 4,057,200 | 4,140,000 |
| Over five years | – | – | 993,600 | 496,800 |
| | 2,266,377 | 957,960 | 7,264,800 | 6,904,800 |
| Less: Future finance charges | (52,241) | (10,265) | (558,012) | (500,166) |
| | 2,214,136 | 947,695 | 6,706,788 | 6,404,634 |
| **Present value of lease liabilities** | | | | |
| Within one year | 1,266,440 | 947,695 | 914,457 | 922,503 |
| Between one and two years | 947,696 | – | 992,995 | 1,055,914 |
| Between two to five years | – | – | 3,815,472 | 3,932,129 |
| Over five years | – | – | 983,864 | 494,088 |
| | 2,214,136 | 947,695 | 6,706,788 | 6,404,634 |

*Note:*

(i) Target Company II leases properties as workshops with fixed rental. These leases are negotiated for terms ranging from three to six years.

(ii) Target Company II also acquired a motor vehicle under finance lease for HK$260,000 repayable in 36 installments in prior years. The outstanding lease payments was fully settled during the year ended 31 March 2021.

(iii) As at 31 March 2020, 2021, 2022 and 31 July 2022, the average effective interest rate ranged from 2.62% to 5.35% per annum.

(iv) As at 31 March 2020, 2021, 2022 and 31 July 2022, the fair value of lease liabilities approximated to their carrying amount.

## 18 SHARE CAPITAL

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Share capital | 10,000 | 10,000 | 10,000 | 10,000 |

(a) As at 31 March 2020, 2021 and 2022 and 31 July 2022, the number of issued ordinary shares held by the sole shareholder was 10,000. There were no transfer of ordinary shares during the Relevant Periods.

(b) The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of Target Company II. All ordinary shares rank equally with regards to Target Company II's residual assets.

(c) The holder of Target Company II resolved that no dividend attributable to the Relevant Periods or proposed after the Relevant Periods.

## 19 CATEGORIES OF FINANCIAL INSTRUMENTS

| | As at 31 March | | | As at 31 July |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| **Financial assets** | | | | |
| Financial assets at amortised cost | | | | |
| Trade receivable | 58,731 | – | – | – |
| Deposits, prepayments and other receivable | 612,417 | 505,040 | 398,190 | 287,500 |
| Amount due from a related company | 12,925,286 | – | – | – |
| Cash and cash equivalents | 91,621 | 239,811 | 213,036 | 208,082 |
| | 13,688,055 | 744,851 | 611,226 | 495,582 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortised cost | | | | |
| Trade payables | 162,565 | 162,565 | 162,565 | 162,565 |
| Other payables and accrued expenses | 191,692 | 109,950 | 108,229 | 88,191 |
| Amount due to sole director | 15,206,291 | – | – | – |
| Amount due to a related company | – | 1,134,714 | 1,080,115 | 467,942 |
| Lease liabilities | 2,214,136 | 947,695 | 6,706,788 | 6,404,634 |
| | 17,774,684 | 2,354,924 | 8,057,697 | 7,123,332 |

## 20 NOTE TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation between of profit before income tax and cash generated from operations:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Profit before taxation | 42,081 | 1,226,144 | 114,206 | 96,091 | 341,586 |
| **Adjustment for:** | | | | | |
| Depreciation of property, plant and equipment | 1,980 | 1,980 | 1,980 | 660 | – |
| Depreciation of right-of-use asset | 1,274,032 | 1,274,032 | 1,260,692 | 424,677 | 386,885 |
| Gain on disposal of property, plant and equipment | – | (150,000) | – | – | – |
| Covid-19-related rent concessions | (201,898) | (324,642) | – | – | – |
| Interest income | (12) | (1) | (1) | – | – |
| Interest on lease liabilities | 77,768 | 42,327 | 70,336 | 6,833 | 57,847 |
| Interest on bank overdraft | 79 | – | 26 | 26 | – |
| Provision of/(reversal of) expected credit loss on financial assets | 66,026 | (1,269) | – | – | – |
| | 1,260,056 | 2,068,571 | 1,447,239 | 528,287 | 786,318 |
| **Change in working capital:** | | | | | |
| Trade receivables | (49,392) | 60,000 | – | – | – |
| Deposits, prepayments and other receivable | (7,574) | 107,633 | 17,710 | 1,110 | 200,940 |
| Trade payables | (129,101) | – | – | – | – |
| Other payables and accrued expenses | 68,289 | (81,742) | (1,721) | 17,325 | (20,038) |
| Amount due from/to director | 120,704 | (15,206,291) | – | 944,714 | – |
| Amount due from/to a related company | (146,529) | 14,060,000 | (54,599) | (1,134,714) | (612,173) |
| **Cash generated from operations** | 1,116,453 | 1,008,171 | 1,408,629 | 356,722 | 355,047 |

(b) Reconciliation of liabilities arising from financing activities is as follows:

| | **Lease liabilities** |
|---|---|
| | *HK$* |
| At 1 April 2019 | 3,459,707 |
| **Changes from financing cash flows** | |
| Capital element of leases paid | (1,043,673) |
| Interest paid | (77,768) |
| **Other changes** | |
| Interest expenses | 77,768 |
| Covid-19-related concessions | (201,898) |
| At 31 March 2020 and 1 April 2020 | 2,214,136 |
| **Changes from financing cash flows** | |
| Capital element of leases paid | (941,799) |
| Interest paid | (42,327) |
| **Other changes** | |
| Interest expenses | 42,327 |
| Covid-19-related concessions | (324,642) |
| At 31 March 2021 and 1 April 2021 | 947,695 |
| **Changes from financing cash flows** | |
| Capital element of leases paid | (1,108,123) |
| Interest paid | (70,336) |
| **Other changes** | |
| New lease entered | 6,867,216 |
| Interest expenses | 70,336 |
| At 31 March 2022 and 1 April 2022 | 6,706,788 |
| **Changes from financing cash flows** | |
| Capital element of leases paid | (302,154) |
| Interest paid | (57,847) |
| **Other changes** | |
| Interest expenses | 57,847 |
| At 31 July 2022 | 6,404,634 |

## 21 RELATED PARTY TRANSACTIONS

The sole director is the only key management personnel of Target Company II. Details of his emoluments is disclosed in Note 8 to the Historical Financial Information. Other related party transactions are as follows:

| | Year ended 31 March | | | Four months ended 31 July | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Service income from fish processing *(Note)* | 3,360,000 | 3,360,000 | 3,360,000 | 1,120,000 | 1,120,000 |

*Note:* Service income from fish processing is received or receivable from a related company, Shag Mei International Food Limited, which is controlled by Target Company II's sole shareholder, Mr. Lin Ruiping.

## 22 CONTINGENT LIABILITIES

As at 31 March 2020, 2021 and 2022 and 31 July 2022, Target Company II had no significant contingent liabilities.

## 23 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Target Company II in respect of any period subsequent to 31 July 2022 and up to the date of this report.

Set out below is the management discussion and analysis of the performance of the Target Companies for each of the year ended 31 March 2020, 2021 and 2022 and four months ended 31 July 2022 (the "**Track Record Period**").

## OVERVIEW

The Target Companies are Shag Mei International Food Limited 正味國際食品有限公司 and Legend International Food Limited 嶺進國際食品有限公司. The Target Companies are companies incorporated under the laws of the Hong Kong with limited liability. Shag Mei International Food Limited 正味國際食品有限公司 is principally engaged in the trading of frozen food products and Legend International Food Limited 嶺進國際食品有限公司 is principally engaged in the provision of fish processing and preserving services.

The business model of the Target Companies comprises of sourcing frozen food products including whole and cut salmon fishes, scallop, eel, sea cucumber, yellowtail fillet, wagyu beef, lamb and other frozen seafood and meat etc., from overseas and local suppliers, and selling them to customers in Hong Kong (including local restaurants and supermarkets). The whole salmon fishes are directly sourced from Norway which could also be cut and packaged into smaller pieces or tailored-made sizes in accordance with customers' request.

The Board took a positive view of the future prospects of the Target Companies' principal business. The Board considered that, unlike other consumer discretionary products (such as durable goods and personal electronic products), food products enjoy a stable demand across a broad range of economic conditions.

As shown in the financial results of the Target Companies for the past few years, notwithstanding the social unrest experienced in Hong Kong in 2019 and the impact of the COVID-19 pandemic, the Target Companies' business performed steadily and continued to record profits even when broad sections of the economy in Hong Kong suffered.

Looking ahead, as Hong Kong begins to ease travel restrictions and as economic activities recover, the Board anticipates higher levels of consumer consumption, which is expected to benefit the financial performance of the Target Companies.

## FINANCIAL REVIEW

### (A) Shag Mei

#### *(i) Comparison for the four months ended 31 July 2022 to the four months ended 31 July 2021*

For the four months ended 31 July 2022, Shag Mei recorded revenue of approximately HK$43,101,000, as compared with that of approximately HK$39,972,000 for the four months ended 31 July 2021. Such increase was primarily due to increase in sales of frozen food products, during the period. Cost of sales increased from approximately HK$34,438,000 for the four months ended 31 July 2021 to approximately HK$37,778,000 for the four months ended 31 July 2022 due to increase in sales.

The decrease in administrative and operating expenses from approximately HK$2,106,000 for the four months ended 31 July 2021 to approximately HK$1,873,000 for the four months ended 31 July 2022 was mainly due to decrease in staff costs.

The decrease in other income and other gain from approximately HK$289,000 for the four months ended 31 July 2021 to approximately other income and other losses HK$23,000 for the four months ended 31 July 2022 was mainly due to increase in exchange loss.

The decrease in finance costs from approximately HK$169,000 for the four months ended 31 July 2021 to approximately HK$153,000 for the four months ended 31 July 2022 was mainly due to decrease in interest on bank borrowings.

***(ii) Comparison for the year ended 31 March 2022 to the year ended 31 March 2021***

For the year ended 31 March 2022, Shag Mei recorded revenue of approximately HK$106,959,000, as compared with that of approximately HK$101,036,000 for year ended 31 March 2021. Such increase was primarily due to more sales generated during the year. Cost of sales increased from approximately HK$91,252,000 for the year ended 31 March 2021 to approximately HK$94,386,000 for the year ended 31 March 2022 due to increase in sales.

The increase in administrative and operating expenses from approximately HK$6,108,000 for the year ended 31 March 2021 to approximately HK$7,501,000 for the year ended 31 March 2022 was mainly due to increase in staff cost, repair and maintenance expenses.

The increase in other income and other gains from approximately HK$476,000 for the year ended 31 March 2021 to approximately HK$478,000 for the year ended 31 March 2022 was mainly due to increase in exchange gains partially set off by loss on disposal of property, plant and equipment.

The decrease in finance costs from approximately HK$482,000 for the year ended 31 March 2021 to approximately HK$478,000 for the year ended 31 March 2022 was mainly due to decrease in bank borrowings during the year.

***(iii) Comparison for the year ended 31 March 2021 to the year ended 31 March 2020***

For the year ended 31 March 2021, Shag Mei recorded revenue of approximately HK$101,036,000, as compared with that of approximately HK$96,986,000 for year ended 31 March 2020. Such increase was primarily due to more sales of frozen food products during the year. Cost of sales increased from approximately HK$87,519,000 for the year ended 31 March 2020 to approximately HK$91,252,000 for the year ended 31 March 2021 due to increase in sales.

The decrease in administrative and operating expenses from approximately HK$6,965,000 for the year ended 31 March 2020 to approximately HK$6,108,000 for the year ended 31 March 2021 was mainly due to decrease in staff cost.

The increase in other income and other gains from approximately HK$262,000 for the year ended 31 March 2020 to approximately HK$476,000 for the year ended 31 March 2021 was mainly due to increase in exchange gains.

The increase in finance costs from approximately HK$183,000 for the year ended 31 March 2020 to approximately HK$482,000 for the year ended 31 March 2021 was mainly due to increase in bank borrowings during the year.

**(B) Legend**

***(i) Comparison for the four months ended 31 July 2022 to the four months ended 31 July 2021***

For the four months ended 31 July 2022, Legend recorded revenue of HK$1,120,000, same as the four months ended 31 July 2021.

The decrease in administrative and operating expenses from approximately HK$1,047,000 for the four months ended 31 July 2021 to approximately HK$721,000 for the four months ended 31 July 2022 was mainly due to decrease in management fee and staff cost.

The decrease in other income from HK$30,000 for the four months ended 31 July 2021 to HK$nil for the four months ended 31 July 2022 was mainly due to decrease in sundry income.

The increase in finance costs from approximately HK$7,000 for the four months ended 31 July 2021 to approximately HK$58,000 for the four months ended 31 July 2022 was mainly due to increase in interest on lease liabilities.

***(ii) Comparison for the year ended 31 March 2022 to the year ended 31 March 2021***

For the year ended 31 March 2022, Legend recorded revenue of HK$3,360,000, same as the year ended 31 March 2021.

The increase in administrative and operating expenses from approximately HK$2,747,000 for the year ended 31 March 2021 to approximately HK$3,265,000 for the year ended 31 March 2022 was mainly due to increase in staff cost and government rent and rate.

The decrease in other income from approximately HK$655,000 for the year ended 31 March 2021 to approximately HK$90,000 for the year ended 31 March 2022 was mainly due to decrease in rent concession and gain on disposal of property, plant and equipment.

The increase in finance costs from approximately HK$42,000 for the year ended 31 March 2021 to approximately HK$70,000 for the year ended 31 March 2022 was mainly due to increase in interest on lease liabilities.

***(iii) Comparison for the year ended 31 March 2021 to the year ended 31 March 2020***

For the year ended 31 March 2021, Legend recorded revenue of HK$3,360,000, same as the year ended 31 March 2020.

The decrease in administrative and operating expenses from approximately HK$3,744,000 for the year ended 31 March 2020 to approximately HK$2,747,000 for the year ended 31 March 2021 was mainly due to decrease in staff cost and rent and rates.

The increase in other income from approximately HK$570,000 for the year ended 31 March 2020 to approximately HK$655,000 for the year ended 31 March 2021 was mainly due to increase in rent concession.

The decrease in finance costs from approximately HK$78,000 for the year ended 31 March 2020 to approximately HK$42,000 for the year ended 31 March 2021 was mainly due to decrease in interest on lease liabilities.

## SEGMENT INFORMATION

During the Track Record Period, the Target Group had only one reportable operating segment, being the trading of frozen food products. As such, no segmental information thereof is presented.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, 31 March 2021, 31 March 2022, and 31 July 2022, the cash and cash equivalents of the Target Companies were as follow:

| | **Shag Mei** *(HK$'000)* | **Legend** *(HK$'000)* |
|---|---|---|
| *As at 31 March 2020* | | |
| Cash and cash equivalents | 6,891 | 92 |
| *As at 31 March 2021* | | |
| Cash and cash equivalents | 2,712 | 240 |
| *As at 31 March 2022* | | |
| Cash and cash equivalents | 7,909 | 213 |
| *As at 31 July 2022* | | |
| Cash and cash equivalents | 6,066 | 208 |

The current ratio (being current assets over current liabilities) as at 31 March 2020, 31 March 2021, 31 March 2022, and 31 July 2022 of the Target Companies were as follow:

| | **Shag Mei** | **Legend** |
|---|---|---|
| *As at 31 March 2020* | | |
| Current ratio | 1.16 | 0.81 |
| *As at 31 March 2021* | | |
| Current ratio | 1.25 | 0.30 |
| *As at 31 March 2022* | | |
| Current ratio | 1.03 | 0.36 |
| *As at 31 July 2022* | | |
| Current ratio | 1.21 | 0.35 |

As at 31 March 2020, 31 March 2021, 31 March 2022, and 31 July 2022 the net current assets/(net current liabilities) of the Target Companies were as follow:

| | **Shag Mei** *(HK$'000)* | **Legend** *(HK$'000)* |
|---|---|---|
| *As at 31 March 2020* | | |
| Net current assets/(net current liabilities) | 3,809 | (3,138) |
| *As at 31 March 2021* | | |
| Net current assets/(net current liabilities) | 4,588 | (1,719) |
| *As at 31 March 2022* | | |
| Net current assets/(net current liabilities) | 574 | (1,452) |
| *As at 31 July 2022* | | |
| Net current assets/(net current liabilities) | 3,613 | (1,073) |

## CAPITAL STRUCTURE

As at 31 March 2020, 31 March 2021, 31 March 2022, and 31 July 2022 the interest bearing bank borrowings made by the Target Companies were as follows:

| | **Shag Mei** | **Legend** |
|---|---|---|
| | *(HK$'000)* | *(HK$'000)* |
| *As at 31 March 2020* | | |
| Bank borrowings | 7,320 | Nil |
| *As at 31 March 2021* | | |
| Bank borrowings | 15,597 | Nil |
| *As at 31 March 2022* | | |
| Bank borrowings | 14,367 | Nil |
| *As at 31 July 2022* | | |
| Bank borrowings | 13,507 | Nil |

Shag Mei's variable-rate bank borrowings carry interest at a floating interest rate plus credit spread per annum.

## GEARING RATIO

The gearing ratio of the Target Companies, which is expressed as a percentage of net debt divided by total capital (the sum of total equity and net debt), as shown in the statement of financial position. Net debt is calculated the bank borrowings less cash and cash equivalents. The gearing ratio of the Target Companies as at 31 March 2020, 31 March 2021, 31 March 2022, and 31 July 2022 are as follow:

| | **Shag Mei** | **Legend** |
|---|---|---|
| *As at 31 March 2020* | | |
| Gearing ratio | 7.27% | Nil |
| *As at 31 March 2021* | | |
| Gearing ratio | 69.11% | Nil |
| *As at 31 March 2022* | | |
| Gearing ratio | 67.40% | Nil |
| *As at 31 July 2022* | | |
| Gearing ratio | 55.43% | Nil |

During Track Record Period, The Target Companies did not have any financial instruments for hedging purposes.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 March 2020, 2021, 2022 and 31 July 2022, the Target Companies did not have any future plans for material investments or capital assets.

## SIGNIFICANT INVESTMENT

As at 31 March 2020, 2021 and 2022 and 31 July 2022, the Target Companies had no significant investment.

## COMMITMENTS

As at 31 March 2020, 2021 and 2022 and 31 July 2022, the Target Companies had no significant capital commitment.

## MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

For the years ended 31 March 2020, 2021 and 2022 and the four months ended 31 July 2022, the Target Companies made no material acquisition or disposal of subsidiaries, associates and joint ventures.

## CONTINGENT LIABILITIES

The Target Companies did not have any material contingent liabilities as at 31 March 2020, 2021 and 2022 and 31 July 2022.

## FOREIGN EXCHANGE EXPOSURE

The Target Companies are exposed to certain foreign currency risk primarily with respect to United States dollar ("**US$**"), European dollar ("**EUR**") and Japanese yen ("**JPY**") as most of the transactions are denominated in Hong Kong dollar ("**HK$**"), US$, EUR and JPY. The Target Companies are exposed to foreign exchange risk primarily through expenses transactions that are denominated in currencies other than the functional currencies. During the Track Record Period, the Target Company I, Shag Mei recorded a foreign exchange gain/(loss) of approximately HK$113,000, HK$347,000, HK$512,000 and HK$(117,000) for the years ended 31 March 2020, 2021, 2022 and four months ended 31 July 2022 respectively. The Target Company II, Legend recorded a foreign exchange gain of approximately HK$8,000, HK$nil, HK$nil and HK$nil for the years ended 31 March 2020, 2021, 2022 and four months ended 31 July 2022, respectively. The Target Companies manage their exposure to foreign currency transactions by monitoring the level of foreign currency receipts and payments and ensures that the net exposure to foreign exchange risk is kept to an acceptable level. During the year/period, the Target Companies have not used any forward exchange contract to hedge against foreign exchange risk as management considers their exposure as not significant. The Target Companies will continue to manage the net exposure of foreign exchange risk to keep it at an acceptable level from time to time.

## MORTGAGES AND CHARGES

As at 31 March 2020, 2021 and 2022 and 31 July 2022, there were no charge on assets.

## TREASURY POLICIES

The Target Companies continuously monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Target Companies' operations and mitigate the effects of fluctuations in cash flows.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, 2021, 2022 and four months ended 31 July 2022, the Target Companies had 17, 19, 15 and 15 employees respectively in Hong Kong. The Target Companies recruited, employed, promoted and remunerated its employees based on their qualifications, experiences, skills, performances and contributions. Remuneration was also determined with reference to, among others, the market trend. The Target Companies had implemented various programs for staff training and development.

## A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

### Introduction

The following is an illustrative and unaudited pro forma consolidated statement of financial position (the "Unaudited Pro Forma Financial Information") of Huabang Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") which has been prepared by the directors of the Company on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of the entire equity in Shag Mei International Food Limited ("Target Company I") and Legend International Food Limited ("Target Company II") (collectively referred to as the "Target Companies"), as if the Acquisition had been taken place on 30 September 2022.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2022 as set out in the Group's interim results announcement published on 25 November 2022, the statements of financial position of the Target Companies as at 31 July 2022 set out in Appendix II to this circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 September 2022 nor purport to predict the Group's future financial position of operations.

The Unaudited Pro Forma Financial Information should be read in conjunction with the unaudited consolidated financial statements of the Group as set out in the published interim results announcement of the Group for the six months ended 30 September 2022, the historical financial information on the Target Companies as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

### *UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP*

| | Unaudited consolidated statement of financial position of the Group as at 30 September 2022 | Statement of financial position of Target Company I as at 31 July 2022 | Statement of financial position of Target Company II as at 31 July 2022 | Pro forma adjustments | | | Unaudited consolidated statement of financial position of the Enlarged Group as at 30 September 2022 |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Note 1)* | *(Note 2)* | *(Note 2)* | *(Note 3)* | *(Note 4)* | *(Note 5)* | |
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 213,430 | 2,381 | – | – | – | – | 215,811 |
| Right-of-use assets | 1,054 | – | 6,190 | – | – | – | 7,244 |
| Intangible assets | – | – | – | 19,370 | – | – | 19,370 |
| Deposits, prepayments and other receivables | 573 | – | – | – | – | – | 573 |
| Deferred tax assets | 46,971 | – | – | – | – | – | 46,971 |
| Total non-current assets | 262,028 | 2,381 | 6,190 | 19,370 | – | – | 289,969 |
| **Current assets** | | | | | | | |
| Inventories | 18,784 | 3,646 | – | – | – | – | 22,430 |
| Loan receivables | 54,848 | – | – | – | – | – | 54,848 |
| Account receivables | 21,375 | 9,809 | – | – | – | – | 31,184 |
| Deposits, prepayments and other receivables | 44,724 | 660 | 288 | – | – | – | 45,672 |
| Financial assets at fair value through profit or loss | 780 | – | – | – | – | – | 780 |
| Income tax recoverable | 589 | – | 73 | – | – | – | 662 |
| Amount due from a related company | – | 468 | – | – | (468) | – | – |
| Bank balances held on behalf of clients | 17,753 | – | – | – | – | – | 17,753 |
| Cash and cash equivalents | 61,068 | 6,066 | 208 | (5,000) | – | – | 62,342 |
| Total current assets | 219,921 | 20,649 | 569 | (5,000) | (468) | – | 235,671 |
| **Total assets** | 481,949 | 23,030 | 6,759 | 14,370 | (468) | – | 525,640 |

| | Unaudited consolidated statement of financial position of the Group as at 30 September 2022 | Statement of financial position of Target Company I as at 31 July 2022 | Statement of financial position of Target Company II as at 31 July 2022 | Pro forma adjustments | | | Unaudited consolidated statement of financial position of the Enlarged Group as at 30 September 2022 |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Note 1)* | *(Note 2)* | *(Note 2)* | *(Note 3)* | *(Note 4)* | *(Note 5)* | |
| **EQUITY** | | | | | | | |
| Share capital | 4,385 | 10 | 10 | (20) | – | – | 4,385 |
| Other reserves | 559,429 | – | – | – | – | – | 559,429 |
| (Accumulated loss)/retained earnings | (325,417) | 5,984 | (374) | (5,610) | – | (972) | (326,389) |
| Total equity attributable to owners of the Company | 238,397 | 5,994 | (364) | (5,630) | – | (972) | 237,425 |
| Non-controlling interests | 9,755 | – | – | – | – | – | 9,755 |
| **Total equity** | 248,152 | 5,994 | (364) | (5,630) | – | (972) | 247,180 |
| **LIABILITIES** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Lease liabilities | 420 | – | 5,482 | – | – | – | 5,902 |
| Deferred tax liabilities | 219 | – | – | – | – | – | 219 |
| | 639 | – | 5,482 | – | – | – | 6,121 |

| | Unaudited consolidated statement of financial position of the Group as at 30 September 2022 | Statement of financial position of Target Company I as at 31 July 2022 | Statement of financial position of Target Company II as at 31 July 2022 | Pro forma adjustments | | | Unaudited consolidated statement of financial position of the Enlarged Group as at 30 September 2022 |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Note 1)* | *(Note 2)* | *(Note 2)* | *(Note 3)* | *(Note 4)* | *(Note 5)* | |
| **Current liabilities** | | | | | | | |
| Account payables | 60,895 | 2,442 | 162 | – | – | – | 63,499 |
| Other payables and accrued expenses | 2,520 | 380 | 88 | 20,000 | – | 972 | 23,960 |
| Contract liabilities | 5,604 | 16 | – | – | – | – | 5,620 |
| Amount due to a related party | – | – | 468 | – | (468) | – | – |
| Lease liabilities | 616 | – | 923 | – | – | – | 1,539 |
| Borrowings | 162,570 | 13,507 | – | – | – | – | 176,077 |
| Current income tax liabilities | 953 | 691 | – | – | – | – | 1,644 |
| | 233,158 | 17,036 | 1,641 | 20,000 | (468) | 972 | 272,339 |
| **Total liabilities** | 233,797 | 17,036 | 7,123 | 20,000 | (468) | 972 | 278,460 |
| **Total equity and liabilities** | 481,949 | 23,030 | 6,759 | 14,370 | (468) | – | 525,640 |
| **Net current (liabilities)/assets** | (13,237) | 3,613 | (1,072) | (25,000) | – | (972) | (36,668) |
| **Total assets less current liabilities** | 248,791 | 5,994 | 5,118 | (5,630) | – | (972) | 253,301 |

***NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP***

1. The amounts are extracted from unaudited consolidated statement of financial position of the Group as at 30 September 2022 as set out in the published interim results announcement of the Group for the six months ended 30 September 2022.

2. The amounts are extracted from the statements of financial position of the Target Companies as at 31 July 2022 included in the accountant's reports of the Target Companies as set out in Appendix II to this circular.

3. On 3 October 2022, the Company entered into a sale and purchase agreement with Lin Ruiping (the "Vendor") pursuant to which the Company has conditionally agreed to acquire, the 100% equity interests held by the Vendor in the Target Companies for total consideration of HK$25,000,000 which will be settled by cash to the Vendor.

   Upon completion of the Acquisition, the Company will become the holding company of the Target Companies. The identifiable assets and liabilities of the Target Companies will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 3 "Business Combinations" issued by Hong Kong Institute of Certified Public Accountants.

   For the purpose of preparing the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the Directors assumed that the pro forma fair value of identifiable assets and liabilities of the Target Companies, approximate their respective carrying amounts as at 30 September 2022.

   The adjustment represents the goodwill recognised from the Acquisition of approximately HK$19,370,000 being the excess amount of the total consideration for the Acquisition over the fair value of the acquired identifiable net assets of the Target Companies as follow:

| | **Note** | **HK$'000** |
|---|---|---|
| Total consideration | | 25,000 |
| Pro forma fair value of identifiable net assets acquired | | 5,630 |
| Pro forma goodwill | (i) | 19,370 |
| To be satisfied by: | | |
| Cash consideration | | 25,000 |
| | | 25,000 |

Note

(i) The amounts of goodwill and fair value of the identifiable assets and liabilities of the Target companies on the Completion Date are subject to change upon the completion of the valuation of the fair value of the identifiable assets and liabilities of the Target Companies on the Completion Date. Accordingly, the amounts of goodwill and fair value of the identifiable assets and liabilities of the Target Companies may be materially different from the amounts used in the preparation of the unaudited pro forma financial information presented above.

In the preparation of the unaudited pro forma financial information, the Directors have assessed whether there is any impairment in respect of the goodwill expected to arise from the Acquisition following the principles set out in Hong Kong Accounting Standard 36 "Impairment of Assets".

Based on the Directors' assessment, the Directors consider that there is no impairment indicator on the goodwill with assumed values set out above.

4. The adjustment represents elimination for the amounts due between the Target Companies.

5. The adjustment represents estimated acquisition-related costs, which consist of mainly the professional fees directly attributable to the Acquisition, of approximately HK$972,000.

6. Apart from the above, no adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 September 2022 where applicable.

## B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

*The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountants of the Company, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group as set out in this Appendix IV.*

bakertilly
天職國際

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

***To The Directors of Huabang Technology Holdings Limited***

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Huabang Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2022 and related notes as set out on pages 127 to 132 of the circular dated 16 December 2022 (the "Circular") issued by the Company in connection with the proposed acquisition in Shag Mei International Food Limited ("Target Company I") and Legend International Food Limited ("Target Company II") (collectively referred to as the "Target Companies") (the "Acquisition") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 127 to 132 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 September 2022 as if the Acquisition had taken place at 30 September 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited consolidated financial statements for the six months ended 30 September 2022, on which an interim results announcement has been published.

***Directors' Responsibility for the Unaudited Pro Forma Financial Information***

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Reporting Accountant's Responsibilities***

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any Historical Financial Information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2022 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– the related pro forma adjustments give appropriate effect to those criteria; and

– the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma 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:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Baker Tilly Hong Kong Limited**
*Certified Public Accountants*
Hong Kong, 16 December 2022

**Gao Yajun**
Practicing certificate number P06391

*The following is the full text of the letter, summary of value and valuation report, prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with the valuation of the Target Companies to be acquired by Huabang Technology Holdings Limited as of 31 July 2022.*

**STRICTLY CONFIDENTIAL**

艾華迪集團
AVISTA GROUP

**AVISTA Valuation Advisory Limited**

Suites 2401-06
24/F, Everbright Centre
108 Gloucester Road
Wan Chai, Hong Kong
16 December 2022

The Board of Directors
**Huabang Technology Holdings Limited**
33/F, Enterprise Square Three,
39 Wang Chiu Road, Kowloon Bay
Hong Kong

Dear Sirs/Madams,

**<u>Re: Valuation of 100% Equity Interests of Legend International Food Ltd and Shag Mei International Food Ltd</u>**

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has conducted a fair value valuation in connection with the 100% equity interests of Legend International Food Ltd ("**Legend**") and Shag Mei International Food Ltd ("**Shag Mei**", together with Legend referred as the "**Target Companies**") as of 31 July 2022 (the "**Valuation Date**"). We understand that Huabang Technology Holdings Limited (the "**Company**", "**Huabang**" or "**you**") intends to acquire entire shareholdings of the Target Companies (the "**Proposed Acquisition**").

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the "**Directors**") and used for the Proposed Acquisition solely for your internal reference purpose. This report (the "**Report**") does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions, explains the analysis methodology adopted in this appraisal process to calculate the value.

## BASIS OF ANALYSIS

We have appraised the fair values of 100% equity interests of the Target Companies.

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.

## COMPANY BACKGROUND

Huabang is a corporation with a wide spectrum of business, listed on the main board of the Stock Exchange of Hong Kong since 2013 (Stock Code: 3638.HK). Started up as a computer accessories business, Huabang has been transformed into a conglomerate covering various financial services including securities brokerage business, advisory services business and money lending business.

Shag Mei, incorporated in 2014, is principally engaged in the trading of frozen food products. Legend is principally engaged in the provision of fish processing and preserving services.

We understand that the Company intends to acquire the entire equity interests of the Target Companies. As such, the Company engaged us as an independent valuer to assess the fair values of the 100% equity interests of the Target Companies as of the Valuation Date.

## SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Companies, including the legal documents, licenses, financial statements, etc. made available to us;
- Discussed with the Company to understand the history, business model, operations, customer base, business development plan, etc. of the Target Companies for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Target Companies made available to us and considered the basis and assumptions of our conclusion of value;
- Designed an appropriate valuation model to analyze the market data and derived the estimated fair values of the Target Companies; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Companies and their authorized representatives.

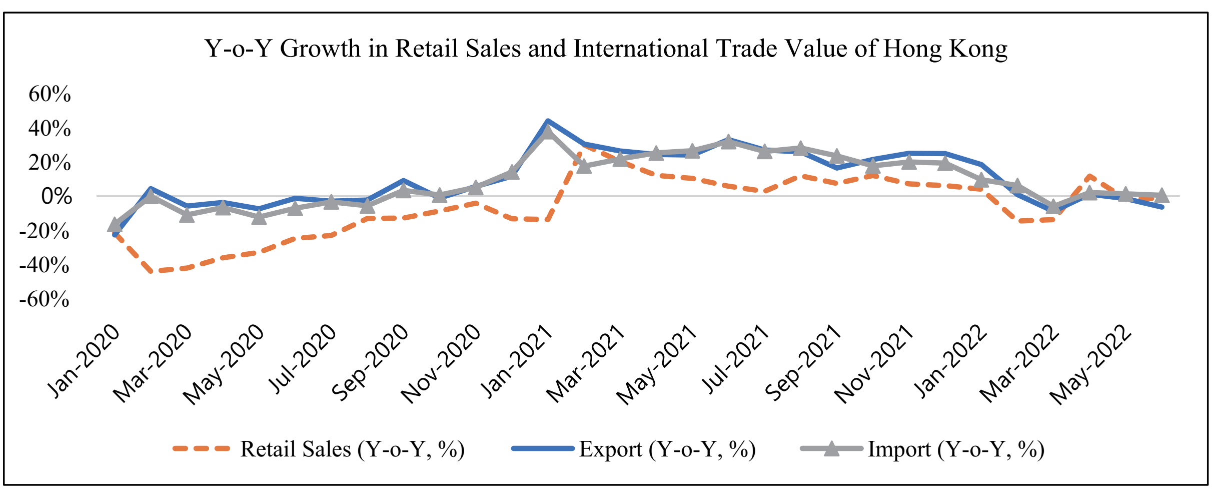
## ECONOMY OVERVIEW

### Macroeconomic overview of Hong Kong

In 2022Q2, Hong Kong's real gross domestic product ("**GDP**") decreased 1.3% year-over-year ("**y-o-y**"), after contracting by 3.9% in the preceding quarter. Weakened global demand and continued cross-boundary transportation disruptions hampered export, while the momentum of local consumption softened despite some revival in Q2. Domestic COVID-19 cases gradually contained in the latter part of the quarter, however, stringent border control measures remained in force and discouraged business travels from and to Hong Kong.

As of 30 June 2022, over 4.5 million people have been administered their third COVID-19 vaccination dose, according to the statistics from the Government of Hong Kong Special Administrative Region ("**HKSAR**"). With the rapidly increased vaccination rate, local activity such as business operations largely resume despite part of the social distancing measure persisting in 2022Q2.

Total retail sales value of Hong Kong has increased by 11.7% and down by 1.6% y-o-y in April and May 2022 respectively, according to Hong Kong's Census and Statistic Department ("**C&SD**"). C&SD announced that the total export value and total import value of Hong Kong dropped 1.4% and up 0.5% y-o-y, respectively, in May 2022. Both metrics indicated a sluggish y-o-y growth in the first half of 2022.

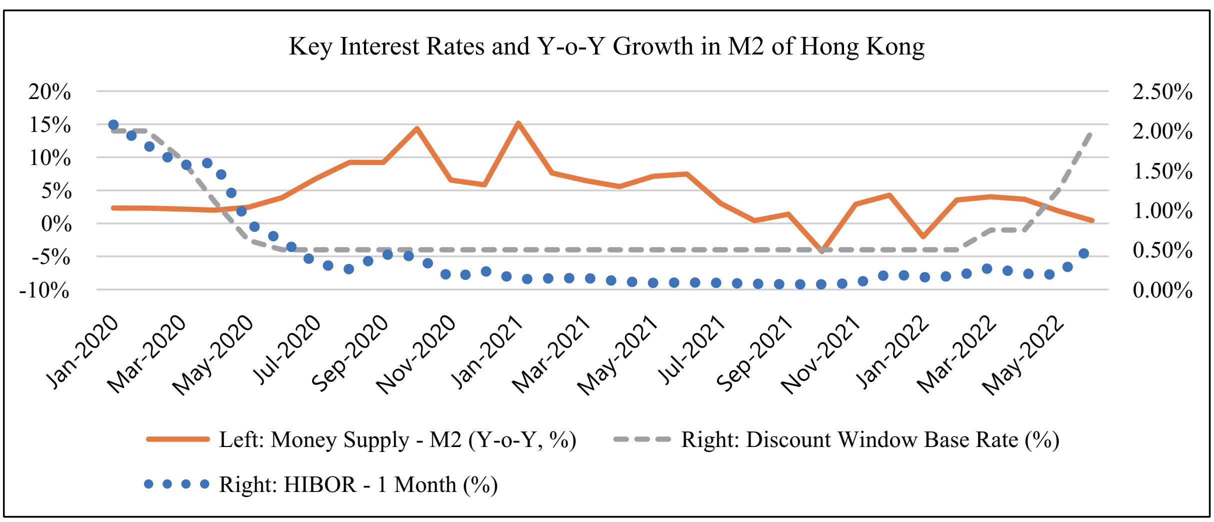



*Source: C&SD*

Unemployment rate fell to 4.3% and underemployment rate declined to 2.2% in the 2022Q2 as the labour market continue to improve amid the economic recovery. According to the Financial Secretary, Mr Paul Chan, Hong Kong's economic growth is expected to fall within the range of -0.5% to +0.5% in 2022. Consumption Voucher Scheme will continue to support consumption demand, yet tighter financial condition like global monetary tightening and rising borrowing costs are likely dampen on domestic consumer sentiment and spending.

Hong Kong's domestic inflation remained moderate despite the international commodities prices stayed high. C&SD reported that the consumer price index ("**CPI**") of Hong Kong increased by 1.8% y-o-y in 2022Q2. After netting out the impact of all government's one-off relief measures, a 1.7% y-o-y increase was recorded, mainly contributed by the visible increase in dinning, basic food, clothing and energy-related items prices as the external price pressures remained intensive contributed by continued supply chain bottleneck and elevated international commodity prices.

Amid rising inflation pressure and a strong labour market, the U.S. Federal Open Market Committee ("**FOMC**") has raised the interest rate target range to 1.5%-1.75%. The Federal Reserve signaled it would continue to move up the interest rate over the next couple of committee meetings to combat inflation. Under the Linked Exchange Rate System, Hong Kong interest rate will inevitably increase while it is likely that the prime rate in Hong Kong remains low. According to the Hong Kong Monetary Authority ("**HKMA**"), the 1-month Hong Kong Interbank Offered Rate ("**HIBOR**") had increased from 0.31% to 0.87% by the end of June, a significant increase over 2022Q2.

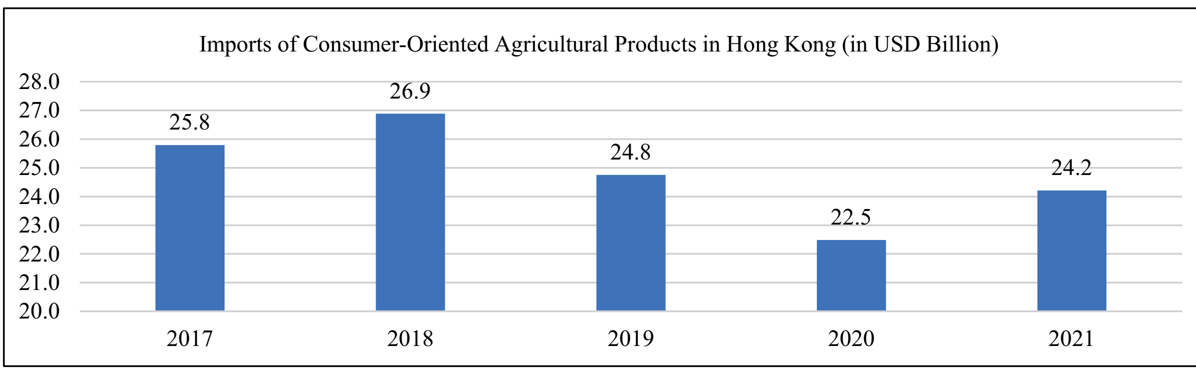



*Source: HKMA*

## INDUSTRY OVERVIEW

### Overview of the Food Trading Industry in Hong Kong

Due to the outbreak of COVID-19, the imports of consumer-oriented agricultural products has recorded negative growth rates in 2019 and 2020. According to Trade Data Monitor ("**TDM**"), the imports of consumer-oriented agricultural products in Hong Kong has decreased from USD 26.9 billion in 2018 to USD 22.5 billion in 2020. With the help of controlling measures on the COVID-19 pandemic adopted by the government and also the adaptation of the catering service providers, the negative influence of COVID-19 on restaurants' operation is gradually diminishing, causing significant recovery of the food trading industry in 2021. The import value of the industry started to rebound and reach USD 24.2 billion in 2021. Among all countries and regions, China is the largest export countries of consumer-oriented agricultural products to Hong Kong, accounting for 23.8% of total imports of Hong Kong in 2021.




*Source: TDM*

In the downstream segments of the industry, the demands from restaurants and retail approximately share the imported consumer-oriented agricultural products evenly. Because of long working hours and limited living space in Hong Kong, cooking at home is considered as a less convenient option and hence dining out is preferred over cooking at home. Therefore, even with various social distancing restrictions and restaurant bans, the number of restaurants has increased slightly during the period from 2019 to 2021. As per Hong Kong Food and Environmental Hygiene Department ("**HKFEHD**"), the number of general restaurants increased from 11,448 in 2019 to 12,037 in 2021, indicating a CAGR of 2.5% during the period. Besides, demand from restaurants still accounted for the half of the imported consumer-oriented agricultural products under such restriction measures. According to United States Department of Agricultural Foreign Agricultural Service ("**FAS**"), demands from restaurants roughly accounted for 49.6% of the total imported consumer-oriented agriculture products in 2021. Due to the loosening restriction on social distancing, the food trading industry is expected to benefit from the increasing number of general restaurant and also the recovery of food catering service industry.

## LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target Companies).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company (the "**Management**").

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for accuracy and reliability of any information obtained from public sources.

The outbreak of COVID-19, as declared by the World Health Organization as a global pandemic on March 11, 2020, has been adversely affecting the global economy as well as the financial markets. As such, the subsequent impact due to COVID-19 has imposed an unprecedented set of circumstances on which to base a valuation judgement as of the Valuation Date. In particular, the increased volatilities in political, legal, fiscal, economic conditions and/or other market situations as a result of COVID-19 would bring higher uncertainties to the underlying assumptions. Consequently, higher degree of caution should be attached to our valuation than would normally be the case.

## VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target Companies and specific competitive environments affecting the industry;
- the business risks of the Target Companies;
- the comparable companies are engaging in business operations similar to the Target Companies; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Companies; and

- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

## VALUATION APPROACH

### General Valuation Approaches

There are three generally accepted approaches to appraise the fair values of the equity values of the Target Companies, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target Companies:

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

| | |
|---|---|
| Market Approach | The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.<br><br>Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. |

**Selected Valuation Approach**

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair values of the equity values of the Target Companies, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in the current appraisal as it fails to consider the economic benefits of ownership of the business. We considered the consolidated net book values of the Target Companies as of the Valuation Date may not truly reflect the value of their equity interests, as part of value will be attributed to future benefit of the Target Companies, deriving from the food trading and distribution related business.

- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of the Target Companies, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Companies. Given that improper assumptions will impose significant impact on the fair values, Income Approach is not adopted in this valuation.

- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Companies, their market values are good indicators of the industry. Therefore, Market Approach has been adopted in this valuation.

There are two methods commonly used in performing Market Approach, namely comparable transactions and comparable companies.

The comparable transactions are selected with reference to the following selection criteria:

- The principal business of the selected companies is trading or distribution of food;
- The acquirer is listed on the Stock Exchange of Hong Kong;
- The transaction was announced between August 2019 and July 2022; and
- The financial information of the companies is available to the public.

Based on the above selection criteria, there is one transaction with the acquirees engaging in similar businesses as the Target Companies within the selected timeframe. Details of the transactions are illustrated as follows:

| # | Announcement Date | Acquiree | Acquirer | Business Description of the Acquiree | % of Shareholding Acquired | Consideration | Implied Enterprise Value/EBIT Multiple | Implied Equity Value/Net Income Multiple |
|---|---|---|---|---|---|---|---|---|
| 1 | 23 December 2021 | MC Marketing & Sales (Hong Kong) Limited | Nissin Foods Company Limited (SEHK:1475) | MC Marketing & Sales (Hong Kong) Limited imports, sells, and distributes beverage, grocery, confectionery and snacks, dairy products, frozen food, beauty drinks, and other products. | 30% | HKD 13.73 million | 13.4x | 14.8x |

*Source: S&P Capital IQ*

Given the fact that only limited number of recent comparable transaction can be identified, we consider that the multiple derived based on comparable transactions may not be representative of our valuation, and thus, the comparable transactions method is not appropriate for this valuation.

Comparable companies method is therefore selected as the primary method for this valuation. By adopting comparable companies method, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The comparable public companies are selected with reference to the following selection criteria:

- The principal business of the selected companies is trading or distribution of food;
- The companies' major business operation is in Asia, the PRC or Hong Kong;
- The companies are listed on the Stock Exchange of Hong Kong; and

- The financial information of the companies is available to the public.

The list of comparable companies based on the selection criteria is considered to be exhaustive. Details of the comparable companies are illustrated as follows:

| Company Name | Stock Code | Business Description | Revenue Contribution from Business Segment(s) |
|---|---|---|---|
| Ocean One Holding Ltd. | SEHK: 8476 | Ocean One Holding Ltd., an investment holding company, engages in importing and wholesaling of frozen seafood products in Hong Kong, Macau, Mainland China, Taiwan, and Japan. | Frozen Seafood Reselling: 97.0%; |
| Winning Tower Group Holdings Limited | SEHK:8362 | Winning Tower Group Holdings Limited, an investment holding company, engages in the processing and trading of raw, frozen, and cooked food products in Hong Kong. | Processing and Trading of Food Products: 74.3%; |
| Hong Kong Food Investment Holdings Limited | SEHK:60 | Hong Kong Food Investment Holdings Limited, an investment holding company, trades in frozen meats, seafood, and vegetables. | Trading: 81.1%; |
| B&S International Holdings Ltd. | SEHK:1705 | B&S International Holdings Ltd., an investment holding company, engages in the distribution and retail of food and beverage products in Hong Kong. | Distribution Business: 52.1%; |
| Heng Tai Consumables Group Limited | SEHK:197 | Heng Tai Consumables Group Limited, an investment holding company, trades in packaged foods, beverages, and household consumables in the People's Republic of China. | Fast Moving Consumer Goods Trading Business: 57.1%; |
| TS Wonders Holding Limited | SEHK:1767 | TS Wonders Holding Limited, an investment holding company, produces, packs, and retails food products in Singapore, Malaysia, the People's Republic of China, India, the United Kingdom, and Indonesia. | Sales of Food Products: 100%; |
| Asia Grocery Distribution Limited | SEHK:8413 | Asia Grocery Distribution Limited, an investment holding company, trades in and distributes food and beverage groceries in Hong Kong. | Sales of Goods: 100.0% |
| Four Seas Mercantile Holdings Limited | SEHK:374 | Four Seas Mercantile Holdings Limited, an investment holding company, manufactures and trades in snack foods, confectionery, beverages, frozen foods, noodles, and ham and ham-related products in Hong Kong and Mainland China. | Sales of Goods: 100% |

*Source: S&P Capital IQ and annual reports of the comparable companies*

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of the Target Companies, in which we have considered price-to-book ("**P/B**"), price-to-sales ("**P/S**"), enterprise value/sales ("**EV/S**"), price-to-earnings ("**P/E**"), enterprise value/ earnings before interests and taxes ("**EV/EBIT**") and enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

P/B multiple is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B multiple of larger than one), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the P/B multiple and so in general, the equity's book value has little bearing with its fair value. As the business nature of the Target Companies is not asset intensive, the P/B multiple is not a good measurement of the fair value of the Target Companies. Thus, P/B multiple is not adopted in this valuation.

P/S and EV/S multiples are considered not appropriate for this valuation because they do not consider the profitability of the Target Companies. As both P/S and EV/S multiples only focus on the sales amounts but not the margin, the result will be easily distorted if the cost structure is not being taken into account. Thus, P/S and EV/S multiples are not adopted in this valuation.

In addition, P/E multiple is not adopted as tax policies differ in different listing countries and the effect of tax on earnings of comparable companies should be eliminated.

EV/EBIT multiple removes tax effect on earnings but not non-cash items in earnings, such as depreciation and amortization of fixed assets. Thus, EV/EBIT multiple is not adopted in this valuation.

EV/EBITDA multiple is the most appropriate indicator of the fair value of the comparable companies, as this multiple removes any tax effect on earnings as well as non-cash items in earnings, it is hence adopted in the valuation of the Target Companies. Enterprise Value ("**EV**") is generally derived based on the market capitalization of a company, plus net debt (total debt minus cash and short-term investment), minority interest and preferred shares.

The EV/EBITDA multiples of comparable companies are as follows:

| No. | Company Name | Currency | Stock Code | Enterprise Value [1] | LTM EBITDA[2] | EV/EBITDA |
|---|---|---|---|---|---|---|
| 1 | Ocean One Holding Ltd. | HKD'million | SEHK:8476 | 170 | 49 | 3.5 |
| 2 | Winning Tower Group Holdings Limited | HKD'million | SEHK:8362 | 57 | -9 | N/A[3] |
| 3 | Hong Kong Food Investment Holdings Limited | HKD'million | SEHK:60 | 137 | -17 | N/A[3] |
| 4 | B & S International Holdings Ltd. | HKD'million | SEHK:1705 | 152 | 18 | 8.4 |
| 5 | Heng Tai Consumables Group Limited | HKD'million | SEHK:197 | -85 | -173 | N/A[3] |
| 6 | TS Wonders Holding Limited | SGD'million | SEHK:1767 | 16 | 7 | 2.3 |
| 7 | Asia Grocery Distribution Limited | HKD'million | SEHK:8413 | 160 | 2 | 89.7 |
| 8 | Four Seas Mercantile Holdings Limited | HKD'million | SEHK:374 | 1,688 | 126 | 13.4 |
| | Maximum | | | | | 89.7x |
| | Minimum | | | | | 2.3x |
| | **Median** [4] | | | | | **8.4x** |
| | Less: Lack of Marketability Discount ("**LOMD**") [5] | | | | | 20.6% |
| | Add: Control Premium [6] | | | | | 26.5% |
| | Maximum | | | | | 90.0x |
| | Minimum | | | | | 2.3x |
| | **Median** | | | | | **8.4x** |

*Notes:*

(1) Data sourced from S&P Capital IQ database and the financial statements of the comparable companies. The enterprise values of the comparable companies are computed based on the market capitalization of the companies as of 31 July 2022 and the latest financial data of the comparable companies available as of the Valuation Date. EV/EBITDA data are based on the trailing 12-month financial data of the comparable companies available as of the Valuation Date.

(2) Data sourced from S&P Capital IQ database and the financial statements of the comparable companies. EBITDA data are based on the trailing 12-month financial data of the comparable companies available as of the Valuation Date.

(3) It is noticed that three of the comparable companies, Winning Tower Group Holdings Limited, Hong Kong Food Investment Holdings Limited and Heng Tai Consumables Group Limited have recorded negative trailing 12-month EBITDA as of the Valuation Date. Therefore, no meaningful multiple can be determined.

(4) Median and average share the same role in understanding the central tendency of a sets of numbers. Median, which would not be affected by extreme values, is regarded a better mid-point measure for skewed number distributions. Hence, median is adopted to derive the result, which we consider to be a more reasonable approach to prevent the outliners from distorting the result.

(5) LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such EV/EBITDA multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value. The report "Stout Restricted Stock Study Companion Guide (2021 edition)" by Stout Risius Ross, LLC, a reputable research company, suggested a marketability discount is 20.6%. A marketability discount of 20.6% is considered appropriate and suitable for this valuation as we understand that the Target Companies is a group of privately held companies.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

Fair Value of Non-Marketable Interest = Fair Value of Marketable Interest x (1– LOMD)

(6) Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/EBITDA multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such EV/EBITDA multiple, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

Adjustment for control is made by the application of a control premium to the value of the Target Companies' shares. The report "Control Premium Study: 1st Quarter 2022" by FactSet Mergerstat, LLC, a reputable research company, suggested a median control premium is 26.5%. A control premium of 26.5% is considered appropriate and suitable for this valuation as we understand that the Company intends to acquire a controlling stake in the Target Companies.

The value of controlling interest can be calculated from minority interest using the following formula:

Fair Value of Controlling Interest = Fair Value of Minority Interest x (1 + Control Premium)

Combining the adjustments on LOMD and control premium,

Adjusted EV/EBITDA multiple = EV/EBITDA multiple x (1– LOMD) x (1 + Control Premium)

**Valuation Result**

*(in HKD'000 unless otherwise specified)*

| | Shag Mei | Legend |
|---|---|---|
| EBITDA of the Target Companies [1] | 5,164 | 269 |
| Add: One-off Expenses | | |
| Loss on written off of property, plant and equipment [1] | 1,309 | – |
| Normalized EBITDA for the Target Companies | 6,472 | 269 |
| Adopted EV/EBITDA Multiple (Median) [2] | 8.4x | 8.4x |
| **Estimated 100% Enterprise Value of the Target Companies [3]** | **54,645** | **2,269** |
| Add: Cash and Cash Equivalent [4] | 6,066 | 231 |
| Less: Debt [4] | (13,507) | – |
| **Estimated 100% Equity Value of the Target Companies** | **47,204** | **2,500** |
| **Total Estimated 100% Equity Value of the Target Companies** | | **49,704** |

*Notes:*

(1) The data are based on the latest audited financial statements of the Target Companies for the year ended 31 March 2022.

(2) Given that the multiples of comparable companies show a range of values, the median of the EV/EBITDA multiples is adopted, which is able to minimize the impact of outliers to the valuation result.

(3) The amount does not equal to the multiple of EBITDA of the Target Companies and the adopted multiple illustrated above due to rounding.

(4) The amount of cash and cash equivalent and debt are based on the statements of financial position of the Target Companies as of the Valuation Date.

**CONCLUSION OF VALUE**

Based on our investigation and analysis method employed, it is our opinion that the fair value of the 100% equity interests of the Target Companies as of the Valuation Date is approximately HKD49,704,000.

The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in Huabang Technology Holdings Limited nor the value reported.

Yours faithfully,
For and on behalf of
**AVISTA Valuation Advisory Limited**

**Vincent C B Pang**
*CFA, FCPA(HK), FCPA (Aus.), MRICS,*
*RICS Registered Valuer*
Managing Partner

Analysed and Reported by:

**Leo K W Hung**
*CPA(HK)*
Associate Director

**Oscar C W Lee**
Senior Analyst

**Edmond K S Tsoi**
Analyst

*Note: Mr. Vincent Pang is a member of CFA Institute, a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia and a member of Royal Institution of Chartered Surveyors. Vincent has over 20-year experience in financial valuation and business consulting in Hong Kong and China.*

**APPENDIX – GENERAL LIMITATIONS AND CONDITIONS**

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Acquisition, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Circular in relation to the Proposed Acquisition, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (A) Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporations

As at the Latest Practicable Date, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### (B) Interests and Short Positions of the Substantial Shareholders of the Company and Other Persons in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any Other Associated Corporations

So far as the Directors are aware, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO.

| Name | Nature of interests | Number of Shares held[(1)] | Percentage of shareholding in the Company's issued share capital |
|---|---|---|---|
| Forever Star Capital Limited | Beneficial owner | 243,989,600(L) | 46.37% |
| Mr. Lin Ruiping | Beneficial owner | 47,184,000(L) | 8.97% |
| Ms. Shen Wei | Interest in controlled corporation *(Note 2)* | 243,989,600(L) | 46.37% |

*Note:*

(1) The letter "L" denotes a long position in the Shares.

(2) There are 243,989,600 Shares registered in the name of Forever Star. Ms. Shen Wei holds 100% interest in Forever Star, a company incorporated in the British Virgin Islands.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### (C) Interests of Directors in the Assets of the Group

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 March 2022, being the date of the latest published audited consolidated financial statements of the Group, been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

### (D) Interests of Directors in Contracts of the Group

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

## 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## 4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the controlling Shareholders or his or her respective close associates was considered to have interests in business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors, the controlling Shareholders or his or her close associate were appointed to represent of the Company and/or the Group.

## 5. MATERIAL CONTRACTS

As at the Latest Practicable Date, save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the any member of the Group within the two years immediately preceding the date of this circular and which is or may be material or of significance:

(a) the Share Transfer Agreement, the terms of which are set out in this circular;

(b) the Placing Agreement; and

(c) the Provisional Sale and Purchase Agreement dated 12 October 2021 entered into between Top Harvest Capital Limited (an indirect wholly-owned subsidiary of the Company), Ocean Leader Trading Limited and Savills (Hong Kong) Limited in relation to the disposal of Units 1, 2, 3, 5, 6, 7 and 8 on 29/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong; and Parking Spaces No. P12 and P14 on 5/F, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong by Top Harvest Capital Limited for a consideration of HK$78,800,000, details of which have been set out in the announcement of the Company dated 12 October 2021.

## 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 7. MATERIAL ACQUISITION

Since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group have been made up and up to the Latest Practicable Date, save for the Acquisition, the Group did not conduct any material acquisition.

## 8. EXPERTS' QUALIFICATION AND CONSENT

The following is the qualification of the experts who have been named in this circular or have given opinion contained or advised in this circular:

| Name | Qualifications |
|---|---|
| Baker Tilly Hong Kong Limited | Certified Public Accountants |
| AVISTA Valuation Advisory Limited | Independent Qualified Valuer |

As at the Latest Practicable Date, each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name, in the form and context in which they are included.

As at the Latest Practicable Date, each of the experts named above did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, each of the experts named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 9. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Wong Kwok Ming. He is a Practicing Certified Public Accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(c) The Company's head office and principal place of business is at 33/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

(d) The Cayman Islands principal share registrar and transfer office of the Company is Maples Fund Services (Cayman) Limited, PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

(e) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(f) The English text of this circular shall prevail over the Chinese text.

## 10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.huabangtechnology.com) for the period of 14 days commencing from the date of this circular:

(a) the Share Transfer Agreement;

(b) the accountant's report of the Target Companies, the text of which is set out in Appendix II (A) and Appendix II (B) to this circular;

(c) the report on unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(d) the Valuation Report, the text of which is set out in Appendix V to this circular; and

(e) the written consent of the experts referred to in the paragraph headed "8. Experts' Qualification and Consent" of this appendix.

華邦科技控股有限公司
HUABANG TECHNOLOGY HOLDINGS LIMITED
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock code: 3638)**

# NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Extraordinary General Meeting of Huabang Technology Holdings Limited (the "**Company**") will be held at 33rd Floor, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong on Friday, 6 January 2023 at 11:00 a.m. for the following purposes:–

## ORDINARY RESOLUTIONS

1. "**THAT**:

the terms and conditions of the share transfer agreement dated 3 October 2022 (the "**Share Transfer Agreement**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) entered into between Mr. Lin Ruiping (the "**Vendor**") and Excel Goal Limited (the "**Purchaser**") in relation to the purchase of the entire issued shares of Shag Mei International Food Limited and Legend International Food Limited by the Purchaser from the Vender at a consideration of HK$25 million and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and any of the Directors or the secretary of the Company be and is hereby authorised on behalf of the Company:

(a) to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as he may in his discretion considers necessary or desirable for the purpose of or in connection with the implementation of and/or giving effect to the Share Transfer Agreement and the transactions contemplated thereunder and all other matters incidental thereto or in connection therewith; and

(b) to complete the Share Transfer Agreement in accordance with its terms."

On behalf of the Board
**Huabang Technology Holdings Limited**
**Qu Hongqing**
*Executive Director*

Hong Kong, 16 December 2022

*As at the date of this notice, the executive Director is Mr. Qu Hongqing; and the independent non-executive Directors are Mr. Loo Hong Shing Vincent, Mr. Zhu Shouzhong and Mr. Li Huaqiang.*

*Notes:*

(1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company but must attend the meeting to represent the member.

(2) In order to be valid, the form of proxy must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with any power of attorney or other authority, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting.

(3) In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.

(4) The register of members of the Company will be closed from Tuesday, 3 January 2023 to Friday, 6 January 2023 (both days inclusive), for the purpose of determining entitlement of the Company's shareholders to vote at the meeting. During this period, no share transfer will be registered. In order to qualify for attending and voting at the meeting, all completed share transfer forms, accompanied by the relevant certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 30 December 2022.