

The following is the text of a report set out on pages IIA-1 to IIA-3, received from the Company's reporting accountant, CWK CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VIVA CHINA HOLDINGS LIMITED

Introduction

We report on the historical financial information of LionRock Capital Partners QiLe Limited (the "Target") set out on pages IIA-4 to IIA-26, which comprises the statements of financial position of the Target as at 31 December 2020 and 31 December 2021, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 14 September 2020 (date of incorporation) to 31 December 2020 and the year ended 31 December 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-4 to IIA-26 forms an integral part of this report, which has been prepared for inclusion in the circular of Viva China Holdings Limited (the "Company") dated 26 May 2022 (the "Circular") in connection with the proposed subscription of shares in and acquisition of purchase shareholder's loan to the Target by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion for the period from 14 September 2020 (date of incorporation) to 31 December 2020 and our qualified opinions for the year ended 31 December 2021.

Opinion for the period from 14 September 2020 (date of incorporation) to 31 December 2020

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 the Target as at 31 December 2020 and of its financial performance and its cash flows for the period from 14 September 2020 (date of incorporation) to 31 December 2020 in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information.

Basis for qualified opinions for the year ended 31 December 2021

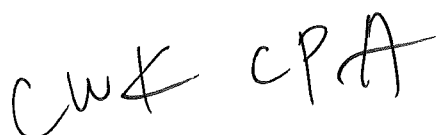
As explained in Note 7 to the Historical Financial Information, the Target has not prepared consolidated financial statements in accordance with Hong Kong Financial Reporting Standard 10 *Consolidated Financial Statements* issued by the HKICPA. In our opinion, there is insufficient information concerning the subsidiaries in these financial statements to give a true and fair view of the financial position of the Target and its subsidiaries (collectively referred to as the "Group") as at 31 December 2021 and of the Group's financial performance and cash flows as a whole for the year then ended.

Qualified opinion for the year ended 31 December 2021

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the Historical Financial Information give a true and fair view of the financial position of the Target as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information.

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

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



CWK CPA Limited
Certified Public Accountants
Hong Kong
26 May 2022

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET**Preparation of Historical Financial Information**

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

The financial statements of the Target for the Track Record Period, on which the Historical Financial Information is based, were audited by CWK CPA Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**Underlying Financial Statements**").

The Historical Financial Information is presented in British Pounds Sterling ("**GBP**") except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the period from 14 September 2020 (date of incorporation) to 31 December 2020	For the year ended 31 December 2021
	<i>Note</i>	<i>GBP</i>	<i>GBP</i>
Revenue		-	-
Cost of sales		<u>-</u>	<u>-</u>
Gross profit		<u>-</u>	<u>-</u>
General and administrative expenses		(12,185)	(5,282)
Other income	14	-	8,657,534
Other gains (losses), net		<u>438</u>	<u>(232)</u>
(Loss) profit before income tax		<u>(11,747)</u>	<u>8,652,020</u>
Income tax expense	6	<u>-</u>	<u>-</u>
(Loss) profit and other comprehensive (expense) income for the period/year		<u><u>(11,747)</u></u>	<u><u>8,652,020</u></u>

STATEMENTS OF FINANCIAL POSITION

		As at 31 December 2020 GBP	As at 31 December 2021 GBP
	<i>Notes</i>		
Non-current asset			
Investment in a subsidiary	7	<u>–</u>	<u>100,000,001</u>
Current Assets			
Other receivable	8	50,000,000	–
Amount due from a subsidiary	10	<u>–</u>	<u>8,657,534</u>
		<u>50,000,000</u>	<u>8,657,534</u>
Total assets		<u>50,000,000</u>	<u>108,657,535</u>
Current liabilities			
Shareholder's loan	10	50,000,000	100,000,001
Amounts due to immediate holding company	10	9,237	16,106
Amounts due to related companies	10	1,141	1,155
Accruals		<u>1,369</u>	<u>–</u>
Total current liabilities		<u>50,011,747</u>	<u>100,017,262</u>
Net current liabilities		(11,747)	(91,359,728)
Total assets less current liabilities		(11,747)	8,640,273
Net (liabilities) assets		<u>(11,747)</u>	<u>8,640,273</u>
Capital and (deficits) reserves			
Share capital	9	–	–
Accumulated (losses) profits		<u>(11,747)</u>	<u>8,640,273</u>
Total capital and (deficit) reserves		<u>(11,747)</u>	<u>8,640,273</u>

STATEMENTS OF CHANGES IN EQUITY

	Share capital (Note 9) GBP	Accumulated (losses) profit GBP	Total GBP
At 14 September 2020 (date of incorporation)	–	–	–
Loss for the period	–	(11,747)	(11,747)
Total loss and other comprehensive expense	–	(11,747)	(11,747)
At 31 December 2020	–	(11,747)	(11,747)
Profit for the year	–	8,652,020	8,652,020
Total profit and other comprehensive income	–	8,652,020	8,652,020
As at 31 December 2021	–	8,640,273	8,640,273

STATEMENTS OF CASH FLOWS

	For the period from 14 September 2020 (date of incorporation) to 31 December 2020 GBP	For the year ended 31 December 2021 GBP
Net cash flows generated (used in) operating activities		
(Loss) profit for the period/year	(11,747)	8,652,020
Less: Preference share coupon	<u>—</u>	<u>(8,657,534)</u>
Operating cash flows before movements in working capital	(11,747)	(5,514)
Increase in amounts due to immediate holding company	10,378	6,883
Increase (decrease) in accruals	<u>1,369</u>	<u>(1,369)</u>
Net cash generated from operating activities	<u>—</u>	<u>—</u>
Net increase in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of the period/year	<u>—</u>	<u>—</u>
Cash and cash equivalents at end of the period/year	<u><u>—</u></u>	<u><u>—</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

LionRock Capital Partners QiLe Limited (“**the Target**”) was incorporated in the British Virgin Islands on 14 September 2020. The address of the Target’s registered office is Ogier Global (BVI) Limited of Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG 1110, British Virgin Islands.

The principal business activity of the Target since its incorporation is investment holding. The immediate holding company of the Target is LionRock Capital Partners QiLe L.P. (“**LionRock**”), a limited partnership established in British Virgin Islands. There is no ultimate holding company of the Target.

The financial statements are presented in GBP, which is also the functional currency of the Target.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)***Amendments to HKFRSs that are mandatorily effective for the Track Record Period***

All relevant amendments to HKFRSs that are effective during the Track Record Period have been adopted by the Target consistently throughout the Track Record Period, to the extent they become effective as required by the relevant standards. The director of the Target has assessed that the application of all relevant amendments to HKFRSs has had no material impact to the Target’s financial positions and performance and/or on the disclosures set out in the Historical Financial Information.

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Target has applied the Amendments to HKAS 1 and HKAS 8 for the first time during the Track Record Period. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the Track Record Period had no impact on the Historical Financial Information.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the Target has not early applied the following new and amendments to HKFRS Standards that have been issued but are not yet effective:

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
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies 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

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

Except for the new and amendments to HKFRSs mentioned below, the director of the Target anticipates that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Target but may affect the disclosures of the Target’s significant accounting policies.

3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, except for the failure to present consolidated financial statements in accordance with HKFRS10 *Consolidated Financial Statements* issued by the HKICPA. In addition, the financial statements include applicable disclosures required by GEM Listing Rules.

The director of the Target have given careful consideration in preparing the Historical Financial Information, in light of the fact that the Target’s current liabilities exceeded its current assets and total assets by GBP 11,747 as at 31 December 2020. At the time of approving the Historical Financial Information, LionRock agreed to provide continuing financial support to the Target so as to enable it to meet its liabilities as and when they fall due and to enable it to carry on its operation for the twelve months from the date of this report, or until the completion of the sale and purchase of Purchase Shareholder’s Loan and subscription of the Subscription Share in the Target by Viva China Consumables, whichever

earlier. The director of the Target believes that it will continue as a going concern. Consequently, the directors of the Company have prepared the Historical Financial Information on a going concern basis.

The Target was incorporated on 14 September 2020. Accordingly, the corresponding comparative amounts shown for the statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows and related notes cover a three-month period from 14 September 2020 to 31 December 2020 and therefore may not be comparable with amounts shown for the year from 1 January 2021 to 31 December 2021.

The Historical Financial Information have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

3.2 Significant accounting policies

Other income

Dividend earned from preference shares subscription is recognised when the Target has the obligation to receive cash from the issuer.

Investment in a subsidiary

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment.

Foreign currencies

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

Taxation

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

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

Financial instruments

Financial assets and financial liabilities are recognised when the Target becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Financial assets*Classification and subsequent measurement of financial assets*

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

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Target may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at fair value through profit or loss (“FVTPL”) if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Target performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including other receivable), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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 the Target’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.

The Target measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target recognises lifetime ECL.

(i) Significant increase in credit risk

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

The Target 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, the Target 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 the Target, in full (without taking into account any collaterals held by the Target).

(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 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

The Target writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target'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.

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

For collective assessment, the Target 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.

Derecognition of financial assets

The Target derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Perpetual instruments, which include no contractual obligation for the Target to deliver cash or other financial assets or the Target has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Target's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including shareholder's loan, amounts due to immediate holding company and related companies are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The director of the Target, however, is of the opinion that there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Target.

5. DIRECTOR'S REMUNERATION

	For the period from 14 September 2020 (date of incorporation) to 31 December 2020 GBP	For the year ended 31 December 2021 GBP
Fees	-	-
Other emoluments	-	-
Total	-	-

6. INCOME TAX EXPENSE

The Target was established under the International Business Companies Acts of British Virgin Islands ("BVI") and is exempt from BVI income taxes.

7. INVESTMENT IN A SUBSIDIARY

	As at 31 December 2020 GBP	As at 31 December 2021 GBP
At cost	<u>–</u>	<u>100,000,001</u>

Details of the subsidiary held by the Target at the end of each of the reporting period are set out below:

Name of subsidiary	incorporation/registration/ operations	Paid up issued/ registered capital GBP	Proportion ownership interest and voting power held by the Target up to the date of this report			Principal activities
			31/12/2020	31/12/2021		
C&J Clark (No.1) Limited ("Clark")	United Kingdom	51,051	–	51%	51%	Footwear wholesale and retail

The Target also subscribed 100,000,000 A preference shares in the capital of Clark at GBP 100,000,000 (the "Clark Shares Subscription Price") in the aggregate. The Clark Shares Subscription Price payable by the Target was funded by the Shareholder's Loan advanced by LionRock. The transaction was completed on 9 April 2021, LionRock has transferred all ordinary shares of Clark, representing 51% of shareholding in Clark, held by it to the Target. The Target has obtained control over Clarks in accordance with HKFRS10, Clark became a non-wholly owned subsidiary of the Target.

Consolidated financial statements have not been prepared in accordance with HKFRS 10 *Consolidated Financial Statements* issued by the HKICPA, as in the opinion of the directors of the Company it would cause delay out of proportion to the value to members of the Company.

8. OTHER RECEIVABLE

	As at 31 December 2020 GBP	As at 31 December 2021 GBP
Due from escrowed account	<u>50,000,000</u>	<u>–</u>

On 15 October 2020 and 19 February 2021, the Target borrowed the first GBP 50 million and the second GBP 50 million (collectively referred as “Shareholder’s Loans”; and refer to Note 10 for the terms of the Shareholder’s Loans), respectively from LionRock, the immediate holding company, and such funds were directly advanced by LionRock to an escrowed account kept by Goodwin Procter (UK) LLP, a third-party lawyer. Details of the settlement and other details of this other receivable and the Shareholder’s Loans are set out in Notes 10 and 12b, respectively.

9. SHARE CAPITAL

The Target was incorporated on 14 September 2020 and there is no par value for the ordinary shares.

	Issued number of shares	Share capital GBP
As at 14 September 2020 (date of incorporation),	1	–
31 December 2020 and 31 December 2021	<u>1</u>	<u>–</u>

10. AMOUNT DUE FROM A SUBSIDIARY, SHAREHOLDER’S LOAN, AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY AND RELATED COMPANIES

Balances with related Parties:

	As at 31 December 2020 GBP	As at 31 December 2021 GBP
Due from a subsidiary		
– Preference share coupon receivable	<u>–</u>	<u>8,657,534</u>
Due to immediate holding company		
– Shareholder’s Loan	50,000,000	100,000,001
– Payable	<u>9,237</u>	<u>16,106</u>
	50,009,237	100,016,107
Due to related companies		
– Payable	<u>1,141</u>	<u>1,155</u>
Total	<u>50,010,378</u>	<u>100,017,262</u>

Transaction with related party was as follows:

Relationship	Nature of transactions	For the	For the year
		period from 14 September 2020 (date of incorporation) to 31 December 2020	ended 31 December 2021
		GBP	GBP
Subsidiary (<i>note</i>)	Preference share coupon	–	8,657,534

Note: On 19 February 2021, the Target subscribed 100 million preference shares of Clarks with a par value of £1.00 per share. The preference shares carry a coupon rate of 10% per annum.

The Shareholder's loan was advanced by LionRock, representing the first GBP 50 million as set out in Note 8 as at 31 December 2020 and an additional GBP 50 million was advanced during the year ended 31 December 2021 and remain outstanding as at 31 December 2021. The loans were denominated in GBP, unsecured, interest free and repayable on demand.

The amounts due to immediate holding company and related companies are unsecured interest free and repayable on demand.

11. CAPITAL RISK MANAGEMENT

The Target manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target's overall strategy remains unchanged from prior period.

The capital structure of the Target consists of shareholder's loan, amounts due to immediate holding company and related companies disclosed in Note 10 and equity comprising issued share capital and deficits.

12. FINANCIAL INSTRUMENTS

12a. Categories of Financial Instruments

	As at 31 December 2020 GBP	As at 31 December 2021 GBP
Financial assets		
At amortised cost	50,000,000	8,657,534
Financial liabilities		
At amortised cost	50,010,378	100,017,262

12b. Financial Risk Management Objectives and Policies

The Target's major financial instruments include other receivable, amount due from a subsidiary, shareholder's loan, amounts due to immediate holding company and related companies. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Target manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit risk and impairment assessment

Credit risk refers to the risk that the Target's counterparties default on their contractual obligations resulting in financial losses to the Target. The Target's credit risk exposures are primarily attributable to other receivable.

Other receivable

For other receivable, the management of the Target makes periodic individual assessment on the recoverability of other receivable based on the settlement records and also the forward-looking information. The management of the Target believes that there is no significant increase in credit risk of these amounts since initial recognition and assessed the impairment based on 12m ECL. The balance was fully settled through the capital injection in a subsidiary during the year ended 31 December 2021. For the period ended 31 December 2020 and year ended 31 December 2021, the Target assessed the ECL for other receivable are insignificant and thus no loss allowance is recognised.

Amount due from a subsidiary

For amount due from a subsidiary, the management of the Target makes periodic individual assessment on the recoverability of the balance with a subsidiary based on the financial feasibility and also the forward-looking information. The management of the Target believes that there is no significant increase in credit risk of these amounts since initial recognition and assessed the impairment based on 12m ECL. For the year ended 31 December 2021, the Target assessed the ECL for amount due from a subsidiary is insignificant and thus no loss allowance is recognised.

Liquidity risk

The following table details the Target's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

	Weighted average interest rate %	On demand or less than 1 month GBP	Total undiscounted cash flows GBP	Carrying amount GBP
As at 31 December 2020				
Shareholder's loan	–	50,000,000	50,000,000	50,000,000
Amounts due to immediate holding company	–	9,237	9,237	9,237
Amounts due to related companies	–	1,141	1,141	1,141
		<u>50,010,378</u>	<u>50,010,378</u>	<u>50,010,378</u>
As at 31 December 2021				
Shareholder's loan	–	100,000,001	100,000,001	100,000,001
Amounts due to immediate holding company	–	16,106	16,106	16,106
Amounts due to related companies	–	1,155	1,155	1,155
		<u>100,017,262</u>	<u>100,017,262</u>	<u>100,017,262</u>

13. MAJOR NON-CASH TRANSACTIONS

On 19 February 2021, the Clark Shares Subscription Price was funded by another GBP 50 million of the Shareholder's Loans advanced by LionRock and such funds of GBP 100 million in aggregate were directly advanced by LionRock to an escrowed account kept in Goodwin Procter (UK) LLP, a third party to the Target, as set out in Note 8. On the same date, Goodwin Procter (UK) LLP settled the Clark Shares Subscription Price directly with Clark on behalf of the Target.

14. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are under common control or joint control in the controlling shareholder' families. Members of key management and their close family member of the Target are also considered as related parties.

Name of related party	Nature of relationship
LionRock	Immediate holding company of the Target
Clark	Subsidiary of the Target
LionRock Capital Partners L.P.	Related company of the Target

(a) Balances with related parties were as follows:

	As at 31 December 2020 GBP	As at 31 December 2021 GBP
Asset		
Clark		
Preference share coupon receivable	—	8,657,534
Liabilities		
LionRock		
Shareholder's loan	50,000,000	100,000,001
Payable balance	9,237	16,106
LionRock Capital Partners L.P.		
Payable balance	1,141	1,155
	<u>50,010,378</u>	<u>100,017,262</u>

(b) Transaction with related party was as follows:

Relationship	Nature of transaction	For the period from 14 September 2020 (date of incorporation) to 31 December 2020 GBP	For the year ended 31 December 2021 GBP
		Subsidiary (<i>note</i>)	Preference share coupon

Note: On 19 February 2021, the Target subscribed 100 million preference shares of Clarks with a par value of £1.00 per share. The preference shares carry a coupon rate of 10% per annum.

15. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target in respect of any period subsequent to 31 December 2021. No dividend or distribution has been declared or made by the Target in respect of any period subsequent to 31 December 2021.