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 registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Smartpay Group Holdings Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

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China Smartpay Group Holdings Limited
中國支付通集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)

(I) MAJOR TRANSACTION IN RELATION TO ACQUISITION OF 35% EQUITY INTEREST IN THE TARGET COMPANY BY ISSUING CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover page shall have the same meanings as defined in this circular. A letter from the Board is set out on pages 5 to 21 of this circular.

A notice convening the EGM to be held on Friday, 19 November 2021 at 11:00 a.m. at 23/F, Connaught Marina, 48 Connaught Road West, Sheung Wan, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM or any adjournment thereof (as the case may be), please read the notice and complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority to the Company's Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.chinasmartpay.com.

26 October 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

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

"Acquisition"	the acquisition of the Sale Interest in the equity interest of the Target Company by the Company pursuant to the Sale and Purchase Agreement
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Company"	China Smartpay Group Holdings Limited (中國支付通集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8325)
"Completion"	completion of the Acquisition in accordance with the terms and conditions under the Sale and Purchase Agreement
"Completion Date"	the fifth Business Day after the date of fulfillment (or waiver) of all conditions precedent under the Sale and Purchase Agreement (or such other date as the parties to the Sale and Purchase Agreement may agree in writing), on which day Completion shall take place
"Consideration"	the consideration for the Acquisition, being RMB150,500,000 (equivalent to approximately HK$180,796,000)
"Consideration Share(s)"	new Share(s) to be issued by the Company to settle the Consideration
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held on Friday, 19 November 2021 at 11:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, approving (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate for the allotment and issue of the Consideration Shares

"First Vendor"	Mr. Lu Linming (盧林銘), a director of the Target Company and holds approximately 33.65% equity interest of the Target Company as at the Latest Practicable Date
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Guarantor"	Mr. Chen Xi (陳曦), the sole and ultimate beneficial owner of the Second Vendor
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Third Party(ies)"	individual(s) or company(ies) who or which to the best of the Directors' knowledge information and belief having made all reasonable enquires is/are not a connected person of the Company
"Issue Price"	HK$0.2, being the issue price per Consideration Share
"Latest Practicable Date"	21 October 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Committee"	has the meaning ascribed to it under the GEM Listing Rules
"Long Stop Date"	30 November 2021 (or such other date as the parties to the Sale and Purchase Agreement may agree in writing)
"Profit Guaranteed Period"	the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023
"PRC"	the People's Republic of China, which for the sole purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC

"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 15 August 2021 entered into between the Company, the Vendors and the Guarantor in relation to the Acquisition
"Sale Interest"	the 35% equity interest in the Target Company to be acquired by the Company pursuant to the Sale and Purchase Agreement
"Second Vendor"	Xi'an Jurui Real Estate Co., Ltd.* (西安聚瑞置業有限公司), a company incorporated in the PRC with limited liability, which holds approximately 30.77% equity interest of the Target Company as at the Latest Practicable Date
"SFO"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	the specific mandate to be obtained by the Board at the EGM for the allotment and issue of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Fujian Medical Union Health Care Information Technology Co., Ltd.* (福建醫聯康護信息技術有限公司), a company incorporated in PRC with limited liability
"Target Group"	the Target Company and its subsidiaries
"Track Record Period"	the three years ended 31 December 2020 and six months ended 30 June 2021
"Vendors"	comprises of the First Vendor and the Second Vendor

"YLZ Information Technology"	YLZ Information Technology Co. Ltd.* (易聯眾信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300096), which owns as to approximately 19.23% of equity interests in the Target Company as at the Latest Practicable Date
"%"	per cent

For the purposes of this circular, conversion of RMB into HK$ is based on the approximate exchange rate of RMB1 to HK$1.2013 for the purpose of illustration only.

** For identification purpose only*

中 國 支 付 通

China Smartpay Group Holdings Limited
中國支付通集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)

Executive Directors:
Mr. Zhang Xi
Mr. Wu Hao
Mr. Lin Xiaofeng
Mr. Song Xiangping

Independent non-executive Directors:
Mr. Wang Yiming
Mr. Lu Dongcheng
Dr. Yuan Shumin

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of business in Hong Kong:
23/F, Connaught Marina
48 Connaught Road West
Sheung Wan, Hong Kong

26 October 2021

To the Shareholders

Dear Sirs,

(I) MAJOR TRANSACTION IN RELATION TO ACQUISITION OF 35% EQUITY INTEREST IN THE TARGET COMPANY BY ISSUING CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to (i) the announcement of the Company dated 16 July 2021 in relation to the entering into a memorandum of understanding on the possible acquisition of certain equity interests in the Target Company by the Company; and (ii) the announcement of the Company dated 15 August 2021 in relation to the Acquisition.

The Board is pleased to announce that on 15 August 2021, the Company, the Vendors and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Interest, representing 35% of the total equity interest in the Target Company at the Consideration of RMB150,500,000 (equivalent to approximately HK$180,796,000), which shall be satisfied by way of allotment and issue of the Consideration Shares at the Issue Price to the Vendors (or their respective nominee(s)) under the Specific Mandate credited as fully paid. Upon Completion, the Company will hold 35% of the total equity interest in the Target Company.

The purpose of this circular is to provide you with, among others, further details of (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the financial information of the Group; (iv) the financial information and other information of the Target Company; (v) the valuation report in respect of the Target Group; and (vi) a notice convening the EGM, together with an enclosed form of proxy.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date: 15 August 2021

Parties:

(i) the Company (as purchaser);

(ii) Mr. Lu Linming (as the First Vendor);

(iii) Xi'an Jurui Real Estate Co., Ltd.* (西安聚瑞置業有限公司) (as the Second Vendor); and

(iv) Mr. Chen Xi (as Guarantor to the Second Vendor).

As at the Latest Practicable Date, the Guarantor is the sole and ultimate beneficial owner of the Second Vendor.

Subject matters of the Acquisition

The Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Interest, representing 35% of the total equity interest in the Target Company, where the First Vendor and the Second Vendor has conditionally agreed to sell 15% and 20% of the total equity interest in the Target Company, respectively.

Consideration

The aggregate Consideration of RMB150,500,000 (equivalent to approximately HK$180,796,000) shall be satisfied entirely by the allotment and issue of a total of 903,979,914 Consideration Shares at the Issue Price in four tranches as below:

(i) 193,709,982 and 258,279,975 Consideration Shares shall be allotted and issued to the First Vendor and the Second Vendor (or their respective nominee(s)), respectively, within one month upon Completion; and

(ii) 64,569,994 and 86,093,325 Consideration Shares shall be allotted and issued to the First Vendor and the Second Vendor (or their respective nominee(s)), respectively, in each of the three tranches within one month upon the issue of the audited consolidated financial statements of the Target Company for each of the Profit Guaranteed Period and shall be subject to the adjustment mechanism set out in the paragraph headed "Profit Guarantee" below.

Basis for determination of the Consideration

The Consideration was determined based on arm's length negotiations between the Company and the Vendors, with reference to, the market value of 35% equity interest of the Target Group (the "**Target Interest**") of approximately RMB187.8 million (equivalent to approximately HK$225.6 million) based on a valuation carried out by Roma Appraisals Limited (the "**Valuer**"), an independent firm of professional valuer, as at 30 June 2021 as set out in Appendix V to this circular (the "**Valuation Report**"), the unaudited consolidated net profits after tax of the Target Company of approximately RMB40,336,000 (equivalent to approximately HK$48,456,000) for the financial year ended 31 December 2020 (the "**2020 Unaudited Net Profits**") and the price to earnings ratio of the comparable companies which engaged in similar business as the Target Company (the "**Comparable P/E Ratios**"). In determining a fair and reasonable range of the Consideration by the Company initially, the lowest of the Comparable P/E Ratios of 18.42 was applied to the 2020 Unaudited Net Profits to arrive at a rough estimation of the value of the Target Interest of around RMB260 million (the "**Initial Assessment**").

The Board has also taken into consideration of various factors which include, among others, the business development and future prospects of the Target Company and the reasons for and benefits of the Acquisition as stated under the paragraph headed "Reasons for and Benefits of the Acquisition" below. It was the potential mutual benefits that the Acquisition is expected to bring to the Group (i.e., an investment opportunity and a collaboration opportunity for the Group to further set foot its internet payment business in the health and medical fields) and the Target Company (i.e., the availability of payment option using the Group's internet payment services) which resulted in the Consideration being at a discount to the valuation of approximately RMB187.8 million (equivalent to approximately HK$225.6 million) of the Target Interest as set out in the Valuation Report, which is also within the range based on the Initial Assessment.

As disclosed in the announcement of the Company dated 15 August 2021 in relation to the Acquisition, the market value of the Target Interest as at 30 June 2021 was preliminarily appraised to be approximately RMB212 million (equivalent to approximately HK$255 million) (the "**Preliminary Valuation**"). The adjustment in the appraised market value of the Target Interest was due to (i) the narrowing-down of the market comparable companies to include only highly comparable peers. After further assessment of the comparable companies' business models and product offerings, and discussions with the Valuer, two companies with relatively different businesses, higher net profit margins and market capitalisation were excluded, resulting in the lowered appraised market value of the Target Interest; and (ii) the adoption of the audited financial figures of the Target Group as set out in the accountants' report of the Target Group in Appendix II to this circular in arriving at the trailing 12 months net profit of the Target Group as at 30 June 2021 instead of the unaudited financial figures used in the Preliminary Valuation.

The Company has reviewed the Valuation Report prepared by the Valuer in respect of the Target Interest and the underlying valuation methodology and discussed with the Valuer, including but not limited to:

(i) the qualification and experience of the Valuer in relation to the valuation of the Target Interest; and

- the Valuer has sufficient experience and the relevant professional qualifications required to perform the valuation of the Target Interest;

(ii) the assumptions and basis of computation used for the valuation of the Target Interest.

- the Valuation Report was prepared by the Valuer in accordance with the relevant requirements and standards, namely, the International Valuation Standards 2020;
- the Valuer has advised that the general assumptions of the valuation are those commonly adopted in other business valuations in the market;
- according to the Valuation Report, the market approach was used in determining the valuation of the Target Interest as it can reflect market participants' view on the Target Group and is one of the commonly adopted approaches for valuation of companies;
- the Valuer has advised that the selection criteria have been based on the business segment and the characteristics of the Target Group, and included market comparable companies operate and/or listed other than in the PRC as the Valuer considered that the criterion of similar industry is more crucial than the criteria of similar listing and operating location for the selection of market comparable companies. The Valuer considers that companies in the same industry or sector are faced with similar risks, growth potential, and cash flow profiles, which are the core factors affecting the respective companies' market values. Therefore, the Valuer considered that companies sharing similar business segment and characteristics with the Target Group should also be considered as market comparable companies, especially considering the lack of market comparable companies operated and/or listed within the PRC. While it is not uncommon that listed companies from stock exchanges in different countries are given varied level of valuation, taking the median figure of the P/E multiples of the market comparable companies of various listing and operating location would help minimise the effect of the listing location brought to the P/E multiples; and

- the use of market approach for the valuation of the Target Interest, in relation to which the valuer has taken into account (a) the price-to-earnings multiples of market comparable companies in considering the expected market value of the Target Group, as price-to-earnings multiples are considered the most widely adopted valuation method, whereas price-to-book multiples have not been adopted because the operation of the Target Group and similar companies do not heavily depend on their assets, and price-to-sales multiples have not been adopted because they could not fully capture the cost structure of the Target Group; (b) the principal business of market comparable companies; and (c) due adjustments made as a discount for the lack of marketability of the Target Interest.

Based on the foregoing, and having considered that (i) the sufficient qualifications and experience of the Valuer in relation to the valuation of the Target Interest; (ii) the sufficient scope of work of the valuation of the Target Interest; (iii) the use of market approach and price-to-earnings multiples was an appropriate valuation methodology; (iv) the selection criteria of market comparable companies, which have been determined based on the business segment and the characteristics of the Target Group, are appropriate; and (v) the assumptions made by the Valuer for the valuation are in line with industry practices, the Directors are of the view that the valuation method, selection of market comparable companies, and major assumptions used in the valuation of the Target Interest are fair and reasonable.

Based on the above, and given that the Consideration remains to be at a discount to appraised market value of the Target Interest as at 30 June 2021 notwithstanding the aforementioned downward adjustment made to the Preliminary Valuation, the Directors consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Consideration Shares

The 903,979,914 Consideration Shares represent approximately (i) 38.18% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 27.63% of the total issued share capital of the Company as enlarged by the allotment and issue of all of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the Latest Practicable Date up to the completion of the issue of the last tranche of Consideration Shares and that there is no downward adjustment in the number of Consideration Shares to be allotted and issued).

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued, will rank pari passu in all respects with the existing Shares in issue.

Issue Price

The Issue Price of HK$0.2 per Consideration Share represents:

(i) a premium of approximately 8.11% to the closing price of HK$0.185 per Share as quoted on the Stock Exchange as at the last trading day for the Shares on the Stock Exchange prior to the date of the Sale and Purchase Agreement;

(ii) a premium of approximately 7.87% to the average closing price of approximately HK$0.1854 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(iii) a premium of approximately 7.01% to the average closing price of approximately HK$0.1869 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(iv) a premium of approximately 25.79% to the closing price of HK$0.159 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 157.8% over the consolidated audited net asset value of the Company attributable to the Shareholders as at 31 March 2021 of approximately HK$0.08 per Share (based on the audited consolidated total equity as at 31 March 2021, being approximately HK$183.7 million, and 2,367,618,693 Shares in issue as at the Latest Practicable Date).

The Issue Price was determined after arm's length negotiation between the Company and the Vendors with reference to, among others, the prevailing market prices of the Shares immediately prior to the date of entering into the Sale and Purchase Agreement, the recent trading volume of the Shares and the business prospects of the Group. The Directors consider that the Issue Price is fair and reasonable.

Profit Guarantee

The Vendors guarantee to the Company that the audited consolidated net profits after tax of the Target Company for each of the Profit Guaranteed Period (the "**Actual Profit**") shall be not less than RMB30,000,000 (the "**Guaranteed Profit**").

In the event that the Actual Profit for any of the Profit Guaranteed Period is less than the Guaranteed Profit (the "**Underperformed Period**"), the number of Consideration Shares to be allotted and issued to the Vendors (or their respective nominee(s)) for the Underperformed Period shall be adjusted downward in accordance with the following formula:

$$\mathbf{D} = \frac{\textbf{(Guaranteed Profit — Actual Profit) X 14.3 X the Sale Interest}}{\textbf{Issue Price}}$$

whereas D = The number of Consideration Shares to be deducted from the agreed number of Consideration Shares to be allotted and issued (the "**Deducted Consideration Shares**")

PROVIDED THAT:

(i) subject to the provision in (ii) below, if D equals to or exceeds the agreed number of Consideration Shares to be allotted and issued for that Underperformed Period or if the Target Company is loss-making for that Underperformed Period, the Company shall not allot and issue any Consideration Shares for that period; and

(ii) however, in the event that the Actual Profit for any of the Profit Guaranteed Period is less than the Guaranteed Profit, yet the aggregate Actual Profit for the entire Profit Guaranteed Period is not less than RMB90,000,000, the Company shall allot and issue the Deducted Consideration Shares to the Vendors (or their respective nominee(s)) within one month upon the issue of the audited consolidated financial statements of the Target Company for the last Profit Guaranteed Period.

Notwithstanding the above, the aggregate Consideration Shares to be allotted and issued to the Vendors (or their respective nominee(s)) under the Sale and Purchase Agreement shall not exceed 903,979,914 or the total number of Shares to be held by the Vendors (or their respective nominee(s)) and their respective associates (as defined in the GEM Listing Rules) immediately after the issue of the relevant tranche of the Consideration Shares shall not exceed 30% of the enlarged share capital of the Company immediately after the issue of the relevant tranche of the Consideration Shares (whichever is lower).

In the event that the total number of Shares to be held by the Vendors (or their respective nominee(s)) and their respective associates (as defined in the GEM Listing Rules) will exceed 30% of the enlarged share capital of the Company immediately after the issue of the relevant tranche of the Consideration Shares, the issue of such Consideration Shares will be withheld and the Consideration will be settled in cash.

In the event that the public float will be lower than 25% of the issued share capital of the Company immediately upon completion of the issue of any Consideration Shares, the issue of such Consideration Shares will be withheld and adjourned until the issuance of such Consideration Shares would not render the public float of the Company to fall below 25%.

Conditions Precedent

Completion shall be conditional upon:

(a) the Shareholders passing the resolution(s) at the EGM for approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the issue of Consideration Shares under the Specific Mandate as Consideration;

(b) the directors and shareholders of the Second Vendor passing the resolutions for approving the Sale and Purchase Agreement and the transactions contemplated thereunder;

(c) the shareholders of the Target Company (other than the Vendors) passing the resolutions and/or issuing a confirmation for waiving their respective pre-emptive rights;

(d) the Company and the Vendors having obtained all other necessary authorisations, approvals and consents from other third parties for or in connection with the Acquisition contemplated under the Sale and Purchase Agreement. So far as the Company and the Vendors were aware as at the Latest Practicable Date, there were no other authorisations, approvals and consents from other third parties which are necessary for or in connection with the Acquisition;

(e) the Listing Committee of the Stock Exchange granting the Company the listing of, and permission to deal in, the Consideration Shares and the Stock Exchange granting the waiver or no objection in relation to the transactions contemplated under the Sale and Purchase Agreement;

(f) the Vendors having completed the approval or filing procedures in relation to the Acquisition contemplated under the Sale and Purchase Agreement with the government departments responsible for approving/filing of overseas investments in PRC, including but not limited to the necessary approval or filing procedures of overseas investments, foreign exchange registration and other government procedures in relation to the Company's issuing of Consideration Shares to the Vendors as required under the applicable PRC laws (if applicable);

(g) the shareholders of the Target Company issuing an undertaking to undertake that they will enter into a new shareholders' agreement upon Completion, which shall replace all the previous shareholders' agreement(s) entered into prior to Completion;

(h) the equity interest of the Target Company held by the Vendors having been true and complete, and there having been no holding of equity interest on trust or any lien or other encumbrances attached to the Sale Interest, and there having been no dispute in any form concerning the ownership of the Sale Interest;

(i) the Company being satisfied with the results of the due diligence review of the Target Group in relation to its business, trade, legal, financial, taxation, asset and other conditions deemed necessary and appropriate by the Company's agent or professional party appointed by the Company (regardless of legal, accounting, financial, operational, property or other aspects that the Company may consider necessary);

(j) there having been no material adverse change concerning the assets, business or prospects of the Target Group throughout the period from 30 June 2021 to the Completion Date (including the Completion Date), and the warranties given by the Vendors under the Sale and Purchase Agreement remaining true, accurate and correct in all respects and not misleading in any respects as at the date of the Sale and Purchase Agreement and the Completion Date;

(k) there having been no change to the registered capital of the Target Company throughout the period from 30 June 2021 to the Completion Date (including the Completion Date);

(l) none of the Vendors nor the Guarantor having any dispute or agreement with any party which may prevent the completion of the transactions contemplated under the Sale and Purchase Agreement;

(m) no governmental authority having promulgated, issued, implemented or enforced any validly subsisting laws, regulations, rules, administrative orders, decrees, judgments, interlocutory or permanent injunctions or other orders, that may prohibit or otherwise prevent the completion of the transactions contemplated under the Sale and Purchase Agreement; and

(n) there having been no breach by any party to the Sale and Purchase Agreement.

All parties shall fulfil or procure to fulfil the conditions precedent, and upon knowing any circumstances which may prevent the fulfilment of any of the conditions precedent, notify the other parties of such circumstances in writing.

Any party may notify in writing the other party its waiver of any of the conditions precedent to be fulfilled by that other party (except conditions (a) to (f) set out above).

If any of the above conditions precedent is not satisfied or otherwise waived on or before the Long Stop Date, the innocent party may:—

(a) terminate the Sale and Purchase Agreement and all contents therein;

(b) agree in writing with the other parties to postpone the Long Stop Date to another date.

As at the Latest Practicable Date, save for conditions precedent (b) and (i) which had been satisfied, none of the conditions precedent under Sale and Purchase Agreement had been satisfied or waived, as the case may be.

Guarantee

The Guarantor, in consideration of the Company entering into the Sale and Purchase Agreement, unconditionally and irrevocably guarantees the full performance of all responsibilities, obligations, representations and warranties of the Second Vendor under the Sale and Purchase Agreement. The Company has the right to oblige the Guarantor to fulfil his obligations as guarantor without initiating any legal action against the Second Vendor. In any event that the Second Vendor fails to fulfill any of its obligations under the Sale and Purchase Agreement by whatsoever reason, the Company has the right to oblige the Guarantor to fulfill his obligation as guarantor.

Completion

Subject to the fulfilment (or waiver as the case maybe) of all the conditions precedent mentioned above, Completion shall take place on the Completion Date.

INFORMATION OF THE GROUP

The Group is principally engaged in offering a wide range of value-added and internet payment services to its customers and controls one of the only six payment service licences for nationwide prepaid cards and internet payment services in the PRC.

INFORMATION OF THE VENDORS AND THE GUARANTOR

The First Vendor is a director of the Target Company as at the Latest Practicable Date.

The Second Vendor is a company established in the PRC with limited liability and is principally engaged in property development, sales and management. As at the Latest Practicable Date, the Second Vendor is ultimately wholly owned by the Guarantor. The Guarantor is a director of the Target Company and the sole director of the Second Vendor as at the Latest Practicable Date.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors, the Guarantor and their respective ultimate beneficial owners (as applicable) are Independent Third Parties.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and, together with its subsidiaries, is principally engaged in the provision of health and medical services related information technology solutions and smart terminal devices, utilising digitalisation and artificial intelligence technology. Its customers and business partners include but not limited to hospitals, medical institutions, healthcare institutions, universities, medical colleges and financial institutions.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the key financial data of the Target Group, extracted from its accountants' report for the three financial years ended 31 December 2020, as set out in Appendix II to this circular:

	For the financial years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Revenue	116,598	148,724	140,712
Net profit before tax	24,778	45,762	44,113
Net profit after tax	26,425	41,347	40,353

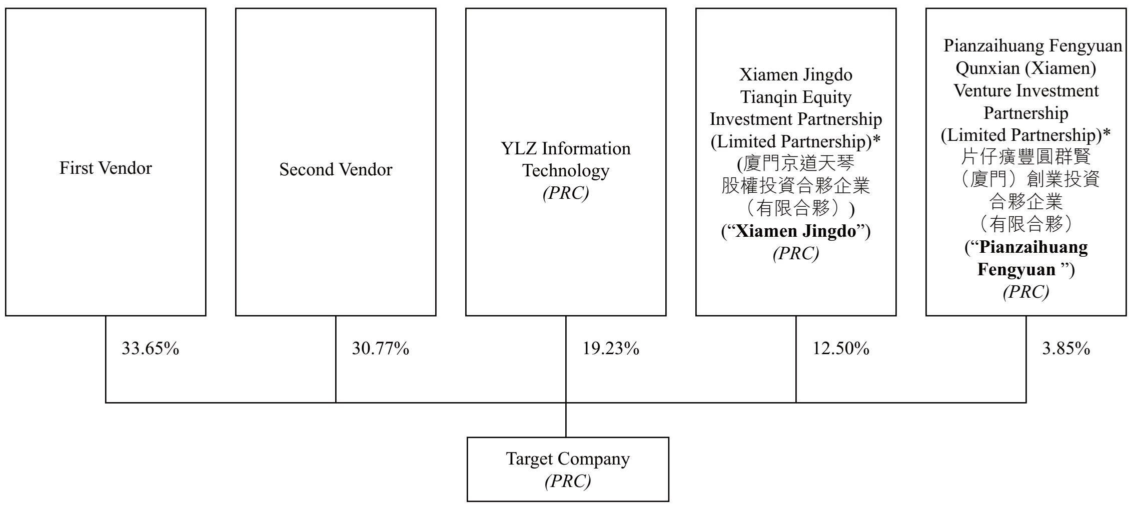
The total assets and net assets of the Target Group as at 30 June 2021 were approximately RMB242,105,000 and RMB146,752,000, respectively, as set out in Appendix II to this circular.

Upon Completion, the Company will hold 35% of the total issued share capital of the Target Company and the Target Company will be treated as an associate of the Company. Given the Target Company will not be a subsidiary of the Company, its financial results will not be consolidated into the consolidated financial results of the Group.

SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The following charts show the shareholding structure of the Target Company as at Latest Practicable Date and immediately upon Completion:

Shareholding structure of the Target Company as at the Latest Practicable Date

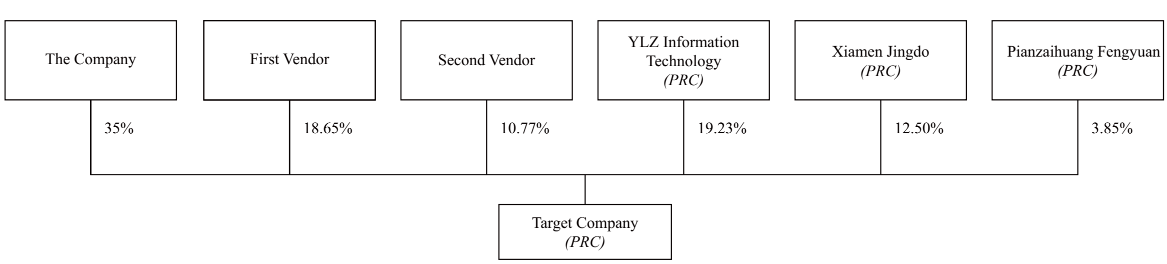


The Company understood from publicly available information that, as at the Latest Practicable Date, Xiamen Jingdo is a limited partnership established in the PRC with Xiamen Jingdao Jixiang Investment Management Co., Ltd.* (廈門京道繼祥股權投資管理有限公司) ("**Jingdao Jixiang**") as the managing partner. The three largest shareholders of Xiamen Jingdo were Xiamen Jinyuan Investment Group Co., Ltd.* (廈門金圓投資集團有限公司) ("**Xiamen Jinyuan**"), Xiamen Jixiang Industrial Development Co., Ltd.* (廈門繼祥實業發展有限公司) ("**Jixiang Industrial**") and Xiamen Jimei District Industrial Investment Co., Ltd.* (廈門市集美區產業投資有限公司) ("**Xiamen Jimei**"), each held approximately 28.7%, 28.7% and 12.8% of equity interest in Xiamen Jingdo, respectively. The remaining 10 shareholders of Xiamen Jingdo were insignificant shareholders each holding less than 10% of the equity interest in Xiamen Jingdo. Jingdao Jixiang was held as to 69.4% by Xiamen Jingdao Industrial Investment Fund Management Co., Ltd.* (廈門京道產業投資基金管理有限公司) ("**Jingdao Fund**"), 15.6% by Jixiang Industrial and 15.0% by Shanghai Rongde Enterprise Management Consulting Center (Limited Partnership)* (上海容得企業管理咨詢中心(有限合伙)) ("**Shanghai Rongde**"). Jingdao Fund was held as to 38.9% by He Hongzhang (何紅章), 34.4% by Fujian Baocheng Carrier Investment Co., Ltd.* (福建寶呈凱瑞爾投資有限公司) (which was in turn held as to 80% by Ruan Zhangxin (阮章新) and 20% by Ruan Yuyang (阮煜颺)), and the remaining 26.7% by three insignificant shareholders each holding less than 10% of the equity interest in Jingdao Fund. Shanghai Rongde is a limited partnership established in the PRC with He Hongzhang (何紅章) as the managing partner. Shanghai Rongde was held as to 67% by He Hongzhang (何紅章) and 33% by Zhang Yilei (張屹磊). Xiamen Jinyuan was wholly-owned by Xiamen Municipal Finance Bureau* (廈門市財政局). Jixiang Industrial was owned as to 50% by Lin Suibi (林隨碧) and 50% by Chen Yongxiang (陳永祥). Xiamen Jimei was wholly-owned by Finance Bureau of Jimei District, Xiamen City* (廈門市集美區財政局).

The Company understood from publicly available information that, as at the Latest Practicable Date, Pianzaihuang Fengyuan is a limited partnership established in the PRC with Xiamen Qunxian Fengyuan Equity Investment Management Co., Ltd.* (廈門群賢豐圓股權投資管理有限公司) ("**Xiamen Qunxian**") as the managing partner. The three largest shareholders of Pianzaihuang Fengyuan were Zhangzhou Pientzehuang Pharmaceutical Co., Ltd. (漳州片仔癀藥業股份有限公司) ("**Zhangzhou Pientzehuang**"), Xiamen Jinyuan and Xiamen Tiandi Development and Construction Group Co., Ltd.* (廈門天地開發建設集團有限公司) ("**Xiamen Tiandi**"), each held approximately 30%, 20% and 16% equity interest in Pianzaihuang Fengyuan, respectively. The remaining 14 shareholders of Pianzaihuang Fengyuan were insignificant shareholders each holding less than 10% of the equity interest in Pianzaihuang Fengyuan. Xiamen Qunxian was held as to 26% by Xiamen Qunxian Huifu Investment Management Co., Ltd.* (廈門群賢匯富投資管理有限公司) ("**Qunxian Huifu**"), 24% by Fengyuan Capital (Xiamen) Investment Management Co., Ltd.* (豐圓資本(廈門)投資管理有限公司) ("**Fengyuan Capital**"), 20% by Xiamen Venture Capital Co., Ltd.* (廈門市創業投資有限公司) ("**Xiamen Venture Capital**"), 15% by Zhangzhou Pientzehuang, 10% by Xiamen Tiandi and 5% by Xiamen Golden Crown Investment Consulting Co., Ltd.* (廈門金中冠投資咨詢有限公司) ("**Xiamen Golden Crown**"). Qunxian Huifu was held as to 24% by Pan Yuewei (潘躍偉), 16% by Ouyang Jinmei (歐陽金梅), 15% by Xu Kaixin (徐鎧薪), 15% by Peng Yanhong (彭燕紅), 15% by Wu Zhirong (吳志榕) and 15% by Huang Renzhen (黃仁真). Fengyuan Capital was held as to 51% by Chen Kefeng (陳柯烽) and 49% by Li Yangjia (李陽加). Xiamen Venture Capital was ultimately wholly-owned by Xiamen Municipal Finance Bureau* (廈門市財政局). Xiamen Golden Crown was held as to 51% by Chen Kefeng (陳柯烽) and 49% by Li Yangjia (李陽加). Zhangzhou Pientzehuang is a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600436). Xiamen Tiandi was wholly-owned by Finance Bureau of Huli District, Xiamen City* (廈門市湖里區財政局).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save that Mr. Zhang Xi, an executive Director and the chairman of the Board, who is interested in approximately 16.21% of the equity interest in YLZ Information Technology, each of the shareholders of the Target Company (other than the Vendors) and their respective ultimate beneficial owners (as applicable) are Independent Third Parties.

Shareholding structure of the Target Company immediately upon Completion



REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been exploring new opportunities to diversify its business as well as to broaden its income source. For internet payment business, the Group focuses on areas with rapid growth potential and strives to establish partnerships with various parties to provide secure and convenient internet payment services. The Directors are of the view that the application of information technology solutions and smart terminal devices in the health and medical fields have strong growth and development potential and hence the Directors consider that the Acquisition is in line with the aforementioned business strategy and offers a good investment and collaboration opportunity for the Group to strengthen its presence in providing secure and convenient internet payment services in the health and medical fields. The Acquisition offers an opportunity for the Group's internet payment business to set foot in the health and medical fields, and the Group will continue to look out for further collaborations with the stakeholders in the health and medical fields with a view to applying the Group's internet payment services in their businesses, through traditional prepaid cards and/or internet payment services. Having considered the financial performance of the Target Company for the three financial years ended 31 December 2020, the aforesaid potential opportunities brought about by the Acquisition to expand the Group's internet payment business in the health and medical fields, together with the Profit Guarantee, the Directors believe that the Acquisition will enable the Group to expand its business scope, increase its profitability and bring more considerable returns to its Shareholders.

The Directors consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after allotment and issue of all of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the Latest Practicable Date up to the completion of the issue of the last tranche of Consideration Shares and that there is no downward adjustment of the number of Consideration Shares to be allotted and issued):

	As at the Latest Practicable Date		Immediately after allotment and issue of all of the Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Sino Starlet Limited *(Note)*	437,230,000	18.47	437,230,000	13.36
Mr. Zhang Chang	93,090,000	3.93	93,090,000	2.85
First Vendor (or his nominee(s))	—	—	387,419,963	11.84
Second Vendor (or its nominee(s))	—	—	516,559,951	15.79
Public Shareholders	1,837,298,693	77.60	1,837,298,693	56.16
Total	2,367,618,693	100.00	3,271,598,607	100.00

Note: Sino Starlet Limited is wholly-owned by Mr. Zhang Chang.

Based on the above table, as there is no shareholder expected to hold more than 30% of the issued share capital of the Company as a result of the Acquisition, and that there is no existing controlling shareholder (as defined in the GEM Listing Rules) in the Company, the Acquisition is not expected to result in a change of control of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition is more than 25% but all applicable percentage ratios are less than 100% under the GEM Listing Rules, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and shareholder's approval requirements under Chapter 19 of the GEM Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the relevant resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Specific Mandate for the allotment and issue of Consideration Shares. To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, no Shareholder has a material interest in the Sale and Purchase Agreement, the transactions contemplated thereunder and the Specific Mandate, thus no Shareholder will be required to abstain from voting on the relevant resolution at the EGM.

FINANCIAL IMPACT OF THE PROPOSED ACQUISITION TO THE GROUP

Upon Completion, the Company will hold 35% of the total issued share capital of the Target Company and the Target Company will be treated as an associate of the Company. The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Group as set out in Appendix III to this circular is prepared as if the Acquisition had been completed on 31 March 2021 to illustrate the effect of the Acquisition.

Asset and liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Group as set out in Appendix III to this circular (assuming that the Acquisition had been completed on 31 March 2021), the total assets of the Group would have increased from approximately HK$829.6 million to approximately HK$1,004.2 million on a pro forma basis, the total liabilities of the Group would have increased by HK$87.3 million from approximately HK$645.9 million to approximately HK$733.2 million on a pro forma basis, and the net assets of the Group would have increased from approximately HK$183.7 million to approximately HK$271.1 million on a pro forma basis.

Earnings

Upon Completion, the Company will hold 35% of the total issued share capital of the Target Company and the Target Company will be treated as an associate of the Company. As such, the financial results of the Target Company will be accounted for using equity method of accounting by sharing 35% of the financial results of the Target Company in the financial statements of the Company.

The earnings of the Group will include share of the profit and loss of the Target Group, which will depend on the actual financial performance of the Target Group. Given that it is expected there will not be any material transaction cost or administrative expense to be incurred for the Acquisition and save for the aforesaid effects from the Acquisition, the Company considers that there will not be any material effect on the earnings of the Group immediately upon the Acquisition.

Further details of the financial effect of the Acquisition together with the bases in preparing the unaudited pro forma financial information are set out in Appendix III to this circular.

GENERAL

The EGM will be convened and held at 23/F, Connaught Marina, 48 Connaught Road West, Sheung Wan, Hong Kong on Friday, 19 November 2021 at 11:00 a.m. to consider and, if thought fit, approve, among other things, the relevant resolution in relation to (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to issue and allot the Consideration Shares.

Any Shareholders and their close associates (as defined under the GEM Listing Rules) who have a material interest in the Acquisition shall abstain from voting on the resolution in relation to the Acquisition to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the resolution to be proposed at the EGM.

According to Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of such general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolution put to the vote at the EGM will be taken by way of poll, and the Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

A notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the GEM website (www.hkgem.com) and the Company's website (www.chinasmartpay.com), respectively. Whether or not you are able to attend the EGM, please read the notice and complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority to the Company's Hong Kong share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

Having considered the above, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, are fair and reasonable and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board of
China Smartpay Group Holdings Limited
Zhang Xi
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group for each of the financial years ended 31 March 2019, 2020 and 2021 and the unaudited condensed consolidated financial information of the Group for the three months ended 30 June 2021 are disclosed in the following documents which have been published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chinasmartpay.com respectively:

- The audited consolidated financial statements of the Group for the year ended 31 March 2019 has been set out in pages 73 to 179 of the annual report 2019 of the Company (available on: https://www1.hkexnews.hk/listedco/listconews/gem/2019/0701/gln20190701015.pdf)

- The audited consolidated financial statements of the Group for the year ended 31 March 2020 has been set out in pages 81 to 191 of the annual report 2020 of the Company (available on: https://www1.hkexnews.hk/listedco/listconews/gem/2020/0701/2020070100101.pdf)

- The audited consolidated financial statements of the Group for the year ended 31 March 2021 has been set out in pages 76 to 179 of the annual report 2021 of the Company (available on: https://www1.hkexnews.hk/listedco/listconews/gem/2021/0627/2021062700189.pdf)

- The unaudited condensed consolidated financial information of the Group for the three months ended 30 June 2021 has been set out in pages 3 to 19 of the first quarterly report 2021 of the Company (available on: https://www1.hkexnews.hk/listedco/listconews/gem/2021/0813/2021081302111.pdf)

2. INDEBTEDNESS STATEMENT

At the close of business on 31 August 2021, being the latest practicable date for ascertaining certain information relating to the indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

Amount due to an associate

The Group had an amount due to an associate of approximately HK$0.7 million which was unsecured, unguaranteed, interest-free and repayment on demand.

Other payables and borrowings

The Group had:

(i) Other payable to a third party of HK$15.0 million which is unsecured, unguaranteed, interest bearing at 10% per annum and repayable on 25 May 2022;

(ii) Other borrowings from independent third parties of approximately HK$80.7 million and HK$6.3 million which are unsecured, unguaranteed and repayable on 30 September 2021 in which carries interest rate of 9% and 12% per annum, respectively;

(iii) Other borrowing from an independent third party of HK$6.0 million which is unsecured, guaranteed by a director of the Company, repayable on 1 April 2022 and carries interest rate of 12% per annum; and

(iv) Interest payables of other payables and borrowings and convertible bonds of approximately HK$2.2 million which are unsecured, unguaranteed, interest-free and repayable withing one year.

Lease liabilities

The Group had lease liabilities of approximately HK$24.6 million in relation to payment obligation of the tenancy agreements in respect of offices in Hong Kong, the PRC and Thailand. The lease liabilities are initially measured at the present value of the lease payments that are not paid at the relevant commencement dates, discounted by using the Group's incremental borrowing rate. The effective interest rate for the lease liabilities of the Group is 4.72% per annum. The amounts were unsecured and unguaranteed.

Bonds payables

The bonds of approximately HK$188.3 million with coupon interest rate of 9% per annum and are repayable on demand. The amount was unsecured and a director of the Company provided the personal guarantee of the bonds.

Convertible bonds issued by a listed subsidiary

On 26 June 2020 (the "**Bond Issue Date**"), Oriental Payment Group Holdings Limited ("**OPG**"), the subsidiary of the Company, issued convertible bonds (the "**OPG CBs**") with a coupon interest rate of 7% per annum in an aggregate principal amount of HK$12.3 million to not less than six independent placees who, and where applicable, whose ultimate beneficial owners were independent third parties. Other than conversion nature, the OPG CBs were unsecured and unguaranteed.

The OPG CBs will mature on the date (the "**Maturity Date**") falling upon the expiry of two years from the Bond Issue Date or if such date is not a business day, the immediate preceding business day. The OPG CBs can be converted into a maximum number of 79,000,000 ordinary shares of OPG at the initial conversion price of HK$0.15 per share of OPG.

At 31 August 2021, the OPG CBs were separated into a liability component of approximately HK$12.6 million and an equity component of approximately HK$0.9 million representing the conversion options of the bondholders.

Other long-term liabilities

The Group had a total outstanding amount of Baht 25.5 million (equivalent to approximately HK$6.2 million) due to Mrs. Nongluck Anantachote in respect of the issue and paid up preference share capital of Oriental City Group (Thailand) Co., Limited ("**OCG Thailand**"), a wholly-owned subsidiary of OPG with cumulative dividend at 9.5% per annum. The amount was unsecured and unguaranteed.

The preference shares as issued by OCG Thailand are classified as liabilities instead of equity in accordance with applicable accounting standards because they are not redeemable and the holders of which are entitled to receive 9.5% per annum cumulative dividend on the paid up value of the preference shares issued, which is treated as cost of financing, and are only entitled to OCG Thailand's residual assets limited to the nominal value of their paid-up capital.

Contingent liabilities

As at 31 August 2021, the Group had no other material contingent liability.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 August 2021, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than under normal trade bills) or acceptance credits, debt securities (whether issued and outstanding or authorised or otherwise created but unissued), guarantees or other material contingent liabilities.

Save as disclosed above, the Directors have confirmed that there had been no material changes in the indebtedness and contingent liabilities of the Group since 31 August 2021, up to and including the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up.

4. WORKING CAPITAL

As at the Latest Practicable Date, the Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's financial resources, including internally generated funds and presently available credit facilities, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in operating prepaid cards and internet payment business, prestige benefits business and merchant acquiring business in Thailand. The Group offers a wide range of value-added and internet payment services to its customers and controls one of the only six payment service licences for nationwide prepaid cards and internet payment services in the PRC. It has always been the Group's intention to provide its users a one-stop solution combining payment, benefits and credit services. As at the Latest Practicable Date, the Company had no intention to dispose of or scale down any of its existing principal businesses after the Completion and it was expected that the operating prepaid cards and internet payment business would remain as one of the principal business segments of the Group.

According to the first quarterly report of the Company for the three months ended 30 June 2021, the revenue of the Group amounted to approximately HK$15.1 million, the gross profit of the Group amounted to approximately HK$12.8 million, and the loss attributable to equity holders of the Company amounted to approximately HK$15.8 million. In addition, as referred to the annual report of the Company for the year ended 31 March 2021, of the continuing operations of the Group, the revenue amounted to approximately HK$68.0 million, the gross profit amounted to approximately HK$32.7 million, and the loss attributable to equity shareholders of the Company amounted to approximately HK$98.5 million. Total assets and total equity of the Group amounted to approximately HK$829.6 million and HK$183.7 million as at 31 March 2021, respectively.

Upon Completion, the Group will continue its existing prepaid cards and internet payment business, prestige benefits business and merchant acquiring business.

Prepaid cards and internet payment business

The Group focuses on areas with rapid growth potentials and strives to establish partnerships with various parties to provide secure and convenient internet payment services for different financial institutions and bulk commodity trading platforms on one hand, and provide cross-border payment and custom clearance services for cross-border e-commerce enterprises on the other hand. However, due to the impact of the outbreak of the COVID-19 pandemic, domestic consumption is trending toward online consumption, and the consumption of traditional prepaid cards has been suppressed to a certain extent at the merchant side, resulting in a decline in the number of cards issued.

Despite such impact of the COVID-19, since the successful completion of the license renewal in May 2021, the Group has been actively expanding the corresponding payment business. Regarding the traditional prepaid cards, the Group will continue to strengthen its efforts in further developing its existing client base while also actively expanding other forms of card issuance (i.e., online card issuing and co-branded cards); cross-border RMB business has completed system integration with several banks while the whole operation processes of the "big trade function (大貿功能)" have successfully launched online. In terms of internet business, the branches of Open Union Payment (開聯通) are actively expanding the onboarding of qualified merchants, and all the currently onboarded merchants process a certain transaction scale. It is expected that the Group will achieve quality and sound development and growth in the payment business in the coming financial year.

Prestige benefits business

With the increased market demands and business cooperation needs, the Group launched the new official website and additional online sales channels to roll-out prestige benefits products directly to end customers in a gradual pace. In the prestige membership benefit service industry of banking and credit card organizations, in addition to the leading banks that issued more volume of the original credit cards, there are more and more small-and-medium banks concerned with benefit service for the cardholders and providing the customers of retail or credit card businesses with value-added benefit services. Besides, with the emerging consumption pattern of paid membership, there will be more demand for membership benefit in new retail sector and on internet platform. As to the industry ahead, there will be more service targets and larger market scale.

Merchant acquiring business

The Group's merchant acquiring business is facing the risks of the uncertainties in the impact of Sino-US trade war and the outbreak of the COVID-19 pandemic, which affected Chinese tourists' spending in Thailand. In particular, the outbreak of COVID-19 pandemic which led to the suspension of a majority of international flights to Thailand resulted in a material adverse effect to the income from the merchant acquiring business. It is uncertain as to when the international flights to Thailand would be completely resumed, and hence the Group has been proactive in exploring other business opportunities, especially payment related business.

As disclosed in the section headed "Reasons for and Benefits of the Acquisition" in the Letter from the Board, the Directors consider that the Acquisition is in line with the business strategy of the Group to focus on areas with rapid growth potential and to strive to establish partnership with various parties to provide secure and convenient internet payment services. It is expected that the Acquisition will enable the Group to strengthen its presence in providing secure and convenient internet payment services in the health and medical fields. Looking forward, the Group will continue to develop its operating prepaid cards and internet payment business and to proactively seek for business opportunities to expand its presence in different fields with rapid growth potential in order to contribute and sustain the Group's future development and to generate better return to its Shareholders.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號
中環廣場42樓
Tel電話 : (852) 2909 5555
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Email電郵 : info@mazars.hk
Website網址 : www.mazars.hk

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF FUJIAN MEDICAL UNION HEALTH CARE INFORMATION TECHNOLOGY CO., LTD.

The Directors
China Smartpay Group Holdings Limited

Introduction

We report on the historical financial information of Fujian Medical Union Health Care Information Technology Co., Ltd. (the "**Target Company**", English translation of 福建醫聯康護信息技術有限公司 for identification purpose only) and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") set out on pages II-5 to II-70, which comprises the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company at 31 December 2018, 2019 and 2020 and 30 June 2021, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-5 to II-70 forms an integral part of this report, which has been prepared for inclusion in the circular of China Smartpay Group Holdings Limited (the "**Company**") dated 26 October 2021 in connection with the acquisition of the Target Group by the Company.

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our 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, we considered internal control relevant to the Target Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation 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 Target Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, 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 the Target Group at 31 December 2018, 2019 and 2020 and 30 June 2021, the financial position of the Target Company at 31 December 2018, 2019 and 2020 and 30 June 2021, and of its financial performance and cash flows for each of the Relevant Periods in accordance with the basis of preparation and presentation 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 the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2020 and other explanatory information (together the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation 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 (Revised) "*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 accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

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

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid or proposed by the Target Group in respect of the Relevant Periods.

Preparation or audit of financial statements

The statutory financial statements of the Target Company were audited by Mazars Certified Public Accountants LLP for the years ended 31 December 2018, 2019 and 2020. No statutory audited consolidated financial statements have been prepared by the Target Group in respect of any period subsequent to 30 June 2021.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 26 October 2021

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of the Historical Financial Information

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

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were prepared by the directors of the Target Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA (the "**Underlying Financial Statements**"). The Underlying Financial Statements were audited by Mazars CPA Limited, *Certified Public Accountants*, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2018	**2019**	**2020**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	*5*	116,598	148,724	140,712	53,926	55,580
Cost of sales		(61,138)	(69,812)	(66,237)	(25,044)	(23,729)
Gross profit		55,460	78,912	74,475	28,882	31,851
Other income	*6*	3,962	10,084	12,242	2,377	5,355
Administrative and selling expenses		(22,258)	(30,521)	(29,097)	(10,248)	(15,080)
Finance costs	*7*	(46)	(83)	(91)	(50)	(28)
Research and development expenses		(11,231)	(10,693)	(13,096)	(4,962)	(6,494)
(Provision for) Reversal of loss allowance for trade and other receivables	*30*	(1,099)	(1,628)	239	(940)	(473)
Share of results of associates	*14*	(10)	(309)	(559)	(270)	(207)
Gain on deemed disposal of an associate		—	—	—	—	619
Profit before income tax	*7*	24,778	45,762	44,113	14,789	15,543
Income tax credit (expenses)	*10*	1,647	(4,415)	(3,760)	(1,176)	(949)
Profit for the year/ period and total comprehensive income for the year/period		26,425	41,347	40,353	13,613	14,594
Attributable to:						
Equity holders of the Company		26,431	40,604	40,430	13,843	14,474
Non-controlling interests		(6)	743	(77)	(230)	120
		26,425	41,347	40,353	13,613	14,594

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
		2018	**2019**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Interests in associates	*14*	710	1,121	11,802	12,934
Property, plant and equipment	*15*	882	20,670	46,097	50,438
Right-of-use assets	*16*	1,014	1,389	626	147
Intangible assets	*17*	—	3,180	6,030	6,868
Financial assets at FVPL	*18*	500	500	500	500
Deferred tax assets	*24*	2,709	4,416	6,648	7,689
		5,815	31,276	71,703	78,576
Current assets					
Inventories	*19*	18,595	28,045	29,225	41,637
Trade and other receivables	*20*	16,992	30,327	41,963	59,675
Contract assets	*21*	34,268	36,113	36,876	34,386
Restricted bank balances	*22*	—	386	1,472	941
Bank balances and cash		60,454	74,804	69,598	26,890
		130,309	169,675	179,134	163,529
Current liabilities					
Trade and other payables	*23*	53,880	71,895	82,777	68,717
Contract liabilities	*21*	20,476	22,429	21,565	18,049
Income tax payables		—	3,344	3,693	2,634
Interest-bearing borrowings	*25*	—	8,800	6,800	5,800
Lease liabilities	*16*	689	936	638	153
		75,045	107,404	115,473	95,353
Net current assets		55,264	62,271	63,661	68,176
Total assets less current liabilities		61,079	93,547	135,364	146,752

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(Continued)*

		At 31 December			At 30 June
		2018	**2019**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Lease liabilities	*16*	342	483	—	—
NET ASSETS		60,737	93,064	135,364	146,752
Capital and reserves					
Share capital	*26*	20,000	20,800	20,800	20,800
Reserves		40,253	70,057	110,487	123,642
Equity attributable to equity holders of the Company		60,253	90,857	131,287	144,442
Non-controlling interests	*13*	484	2,207	4,077	2,310
TOTAL EQUITY		60,737	93,064	135,364	146,752

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		At 31 December			At 30 June
	Notes	**2018**	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Investment in subsidiaries	*13*	3,728	30,783	54,235	49,599
Interests in associates		710	1,121	2,050	3,226
Property, plant and equipment		878	20,654	45,785	50,154
Right-of-use assets		965	1,325	579	137
Intangible assets		—	3,180	5,847	6,345
Financial assets at FVPL		500	500	500	500
Deferred tax assets		2,112	2,777	3,291	3,311
		8,893	60,340	112,287	113,272
Current assets					
Inventories		18,574	26,493	28,018	40,554
Trade and other receivables		17,337	29,733	36,859	59,177
Contract assets		34,268	33,444	34,997	33,099
Restricted bank balances		—	386	1,472	941
Bank balances and cash		55,889	38,304	24,794	8,360
		126,068	128,360	126,140	142,131
Current liabilities					
Trade and other payables		53,244	64,352	76,007	95,347
Contract liabilities		20,476	20,904	20,756	6,859
Income tax payables		—	3,204	3,474	2,232
Interest-bearing borrowings		—	8,800	6,800	5,800
Lease liabilities		639	872	591	142
		74,359	98,132	107,628	110,380
Net current assets		51,709	30,228	18,512	31,751
Total assets less current liabilities		60,602	90,568	130,799	145,023
Non-current liabilities					
Lease liabilities		342	483	—	—
		342	483	—	—
NET ASSETS		60,260	90,085	130,799	145,023
Capital and reserves					
Share capital	*26*	20,000	20,800	20,800	20,800
Reserves	*27(c)*	40,260	69,285	109,999	124,223
TOTAL EQUITY		60,260	90,085	130,799	145,023

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Share capital *RMB'000*	**Capital reserves** *RMB'000* *(Note 27(a))*	**Statutory reserves** *RMB'000* *(Note 27(b))*	**Accumulated profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2018	20,000	—	1,360	12,462	33,822	—	33,822
Profit for the year and total comprehensive income for the year	—	—	—	26,431	26,431	(6)	26,425
Transactions with owners:							
Contributions and distributions							
Transfer to statutory reserves	—	—	2,823	(2,823)	—	—	—
Changes in ownership interests							
Incorporation of subsidiaries	—	—	—	—	—	490	490
Total transactions with owners	—	—	2,823	(2,823)	—	490	490
At 31 December 2018	**20,000**	**—**	**4,183**	**36,070**	**60,253**	**484**	**60,737**
At 1 January 2019	20,000	—	4,183	36,070	60,253	484	60,737
Profit for the year and total comprehensive income for the year	—	—	—	40,604	40,604	743	41,347
Transactions with owners:							
Contributions and distributions							
Addition paid-up capital *(Note 26)*	800	9,200	—	—	10,000	—	10,000
Dividends *(Note 12)*	—	—	—	(20,000)	(20,000)	—	(20,000)
Transfer to statutory reserves	—	—	4,279	(4,279)	—	—	—
Changes in ownership interests							
Incorporation of subsidiaries	—	—	—	—	—	980	980
Total transactions with owners	800	9,200	4,279	(24,279)	(10,000)	980	(9,020)
At 31 December 2019	**20,800**	**9,200**	**8,462**	**52,395**	**90,857**	**2,207**	**93,064**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(Continued)*

	Attributable to equity holders of the Company						
	Share capital	**Capital reserves**	**Statutory reserves**	**Accumulated profits**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000* *(Note 27(a))*	*RMB'000* *(Note 27(b))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	20,800	9,200	8,462	52,395	90,857	2,207	93,064
Profit for the year and total comprehensive income for the year	—	—	—	40,430	40,430	(77)	40,353
Transactions with owners:							
Contributions and distributions							
Transfer to statutory reserves	—	—	4,291	(4,291)	—	—	—
Changes in ownership interests							
Incorporation of subsidiaries	—	—	—	—	—	1,947	1,947
Total transactions with owners	—	—	4,291	(4,291)	—	1,947	1,947
At 31 December 2020	**20,800**	**9,200**	**12,753**	**88,534**	**131,287**	**4,077**	**135,364**
At 1 January 2021	20,800	9,200	12,753	88,534	131,287	4,077	135,364
Profit for the period and total comprehensive income for the period	—	—	—	14,474	14,474	120	14,594
Transactions with owners:							
Contributions and distributions							
Dividend paid to NCI of a non-wholly owned subsidiary	—	—	—	—	—	(1,470)	(1,470)
Changes in ownership interests							
Acquisition of non-controlling interest in a subsidiary	—	(1,319)	—	—	(1,319)	(417)	(1,736)
Total transactions with owners	—	(1,319)	—	—	(1,319)	(1,887)	(3,206)
At 30 June 2021	**20,800**	**7,881**	**12,753**	**103,008**	**144,442**	**2,310**	**146,752**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(Continued)*

	Attributable to equity holders of the Company						
	Share capital *RMB'000*	**Capital reserves** *RMB'000* *(Note 27(a))*	**Statutory reserves** *RMB'000* *(Note 27(b))*	**Accumulated profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
(Unaudited)							
At 1 January 2020	20,800	9,200	8,462	52,395	90,857	2,207	93,064
Profit for the period and total comprehensive income for the period	—	—	—	13,843	13,843	(230)	13,613
Transactions with owners:							
Contributions and distributions							
Incorporation of subsidiaries	—	—	—	—	—	1,310	1,310
Total transactions with owners	—	—	—	—	—	1,310	1,310
At 30 June 2020	**20,800**	**9,200**	**8,462**	**66,238**	**104,700**	**3,287**	**107,987**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Profit before income tax	24,778	45,762	44,113	14,789	15,543
Adjustments for:					
Amortisation	—	9	87	11	349
Depreciation	1,021	1,727	1,667	982	1,226
Gain on deemed disposal of an associate	—	—	—	—	(619)
Gain on financial assets at FVPL	—	(150)	(150)	—	—
Loss on disposal of property, plant and equipment	—	97	130	—	1,244
Provision for (Reversal of) loss allowance for trade and other receivables	1,099	1,628	(239)	940	473
Loss on early termination of leases	—	—	326	—	—
Share of results of associates	10	309	559	270	207
Interest income	(247)	(332)	(414)	(144)	(247)
Interest expenses	46	83	91	50	28
Cash flows from operations before movements in working capital	26,707	49,133	46,170	16,898	18,204
Inventories	(9,908)	(9,450)	(1,180)	(4,298)	(12,412)
Trade and other receivables	(8,363)	(14,867)	(11,298)	(50,209)	(18,342)
Contract assets	(9,335)	(1,941)	(862)	21,124	2,647
Restricted bank balances	—	(386)	(1,086)	(12,004)	531
Trade and other payables	12,960	18,015	10,882	(10,414)	(14,060)
Contract liabilities	10,629	1,953	(864)	5,296	(3,516)
Cash generated from (used in) operations	22,690	42,457	41,762	(33,607)	(26,948)
Interest received	247	332	414	144	247
Interest paid	(46)	(510)	(448)	(241)	(146)
Income tax paid	—	(2,778)	(5,643)	(2,980)	(3,049)
Net cash from (used in) operating activities	22,891	39,501	36,085	(36,684)	(29,896)
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(708)	(19,816)	(25,696)	(1,088)	(6,228)
Additions to intangible assets	—	(3,189)	(2,937)	(877)	(1,187)
Investment in associates	(720)	(720)	(11,240)	(1,960)	(720)
Investment in financial assets at FVPL	(400)	—	—	—	—
Dividends received from financial assets at FVPL	—	150	150	—	—
Net cash used in investing activities	(1,828)	(23,575)	(39,723)	(3,925)	(8,135)

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

		Year ended 31 December			Six months ended 30 June	
		2018	2019	2020	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
FINANCING ACTIVITIES	*28*					
Issue of share capital		—	10,000	—	—	—
Capital injection from NCI to subsidiaries		490	980	1,947	1,310	—
Acquisition of additional interest in a subsidiary		—	—	—	—	(1,736)
Dividend paid		—	(20,000)	—	—	—
Dividend paid to NCI of a non-wholly owned subsidiary		—	—	—	—	(1,470)
New loan raised		—	9,800	—	—	—
Repayment of interest-bearing borrowings		—	(1,000)	(2,000)	(1,000)	(1,000)
Repayment of lease liabilities		(776)	(1,356)	(1,515)	(761)	(471)
Net cash used in financing activities		(286)	(1,576)	(1,568)	(451)	(4,677)
Net increase (decrease) in cash and cash equivalents		20,777	14,350	(5,206)	(41,060)	(42,708)
Cash and cash equivalents at the beginning of the reporting period		39,677	60,454	74,804	74,804	69,598
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash		60,454	74,804	69,598	33,744	26,890

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1. GENERAL INFORMATION

福建醫聯康護信息技術有限公司(Fujian Medical Union Health Care Information Technology Co., Ltd.)* (the "**Target Company**") is a limited liability company incorporated in the People's Republic of China (the "**PRC**") on 1 September 2016. The registered office and principal place of business of the Target Company are located at 25/F, Block 4, Zone F, Fuzhou Software Park, No. 89, Software Avenue, Gulou District, Fuzhou, Fujian, the PRC.

At the date of this report, in the opinion of the directors of the Target Company, the ultimate controlling party of the Target Company is Mr. Lu Linming (the "**Ultimate Controlling Party**").

The principal activities of the Target Company and its subsidiaries (together as the "**Target Group**") are provision of health and medical services related information technology solutions and smart terminal devices, utilising digitalisation and artificial intelligence technology in the PRC during the Relevant Periods.

* *The English names represent the best effort made by the directors of the Target Company to translate the Chinese names as their names have not been registered officially in English.*

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information presents the financial track record of the Target Group for the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021 (the "**Relevant Periods**") and is prepared for the purposes of inclusion in a circular of China Smartpay Group Holdings Limited (the "**Company**") to its shareholders for the acquisition of the Target Company, using the accounting policies which are materially consistent with those of the Company as applied in the Company's consolidated financial statements for the year ended 31 March 2021, except for those HKFRSs that are effective for the financial years beginning on or after 1 April 2021 and applicable to the Historical Financial Information.

The Historical Financial Information was prepared by the directors of the Target Company, based on the Underlying Financial Statements of the Target Group for the Relevant Periods. In preparing the Historical Financial Information, no adjustments have been made to the Underlying Financial Statements by the directors of the Target Company. The Underlying Financial Statements were prepared by the directors of the Target Company with reference to the previously issued financial statements of the Target Group for the Relevant Periods.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conform with HKFRSs issued by the HKICPA.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with the basis set out below which conforms with HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Statement of compliance *(Continued)*

The HKICPA has issued a number of new/revised HKFRSs during the Relevant Periods. For the purpose of the Historical Financial Information, the Target Group has consistently adopted all those new/revised HKFRSs, in particular, HKFRS 9 "*Financial Instruments*", HKFRS 15 "*Revenue from Contracts with Customers*" and HKFRS 16 "*Leases*" and early adopted of Amendments to HKFRS 16 "*COVID-19-Related Rent Concessions Beyond 30 June 2021*" that are relevant to its operations and are effective during the Relevant Periods.

A summary of the principal accounting policies adopted by the Target Group in preparing the Historical Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is historical cost, except for certain financial instruments which were stated at fair value as explained in the accounting policies set out below.

Basis of consolidation

The Historical Financial Information comprises the financial statements of the Target Company and all of its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Target Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Target Group obtains control and continue to be consolidated until the date when such control ceases.

Non-controlling interests ("**NCI**") are presented, separately from equity holders of the Target Company, in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Target Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Target Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interests

Changes in the Target Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Target Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in ownership interests *(Continued)*

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when the control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Target Company's statements of financial position, investment in subsidiaries is stated at cost less impairment loss, if any. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of the subsidiary are accounted for by the Target Company on the basis of dividends received and receivable.

Associates

An associate is an entity over which the Target Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Target Group's interests in associates is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Target Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Target Group discontinues recognising its share of further losses when the Target Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Target Group's net investment in the investee.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Target Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Target Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Target Group and its associates are eliminated to the extent of the Target Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

If an investment in an associate becomes an investment in a joint venture, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence, the Target Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interests on the date of ceasing to be an associate is regarded as the fair value on initial recognition as a financial asset.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write-off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	3-4 years
Buildings	20 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	6 years

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Target Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period of 10 years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Computer software

Computer software represents costs incurred for the development of the technology systems which are mainly for medical care services. The costs are capitalised and amortised under the straight-line method over 10 years. Computer software are tested for impairment where an indicator of impairment appears.

Financial instruments

Recognition and derecognition

Financial assets are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Target Group's contractual rights to future cash flows from the financial asset expire or (ii) the Target Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset.

If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Target Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Target Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Classification and measurement *(Continued)*

1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms 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 arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Target Group's financial assets at amortised cost included trade and other receivables, restricted bank balances and bank balances and cash.

2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost, including financial assets held for trading, financial assets designated upon initial recognition at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

The Target Group's financial assets mandatorily measured at FVPL included unlisted equity investments in the PRC.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Target Group's financial liabilities include trade and other payables, interest-bearing borrowings and lease liabilities. All financial liabilities, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items

The Target Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Target Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Target Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items *(Continued)*

Measurement of ECL (Continued)

(iv) industry of debtors

(v) geographical location of debtors

(vi) external credit risk ratings

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Target Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group); or

(ii) there is a breach of financial covenants by the counterparty.

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

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Group 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 Group 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 in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Target Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items *(Continued)*

Assessment of significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

No financial instruments are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a significant financing components, the Target Group applies a simplified approach in calculating ECL. The Target Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

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 include 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.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items *(Continued)*

Write-off

The Target Group writes off a financial asset when the Target Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Target Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Target Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Target Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the consolidated statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Target Group is as follows:

(i) System integration services

(ii) Software solution services

(iii) Technical services

(iv) Sales of hardware

Identification of performance obligations

At contract inception, the Target Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Target Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within HKFRS 15 *(Continued)*

Timing of revenue recognition

Revenue is recognised when (or as) the Target Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Target Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;

(b) the Target Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Target Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Target Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from system integration services and software solution services is recognised over time because the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Revenue from technical services is recognised over time when services are rendered.

Sales of hardware are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Target Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Target Group's performance and reliable information is available to the Target Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Income from financial assets

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract assets and contract liabilities

If the Target Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Target Group has a right to an amount of consideration that is unconditional, before the Target Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Target Group’s right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

It is common for the Target Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Target Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

On the other hand, in accordance with the payment schedules of certain customers of the Target Group, payments are normally not due or received from the customer until the services are completed or when the goods are delivered. However, for such transactions, revenue is recognised over time and therefore, a contract asset is recognised until it becomes a receivable or payments are received. During that period, any significant financing components, if applicable, will be included in the contract asset and recognised as interest income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Target Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, right-of-use assets and intangible assets and the Company’s investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit (the “**CGU**”)).

If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or CGU that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment losses is recognised as an income in profit or loss immediately.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Leases

The Target Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

As lessee

The Target Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Target Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Target Group accounts for each lease component within a lease contract as a lease separately. The Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Target Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Target Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any leases payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Target Group; and

(d) an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying asset, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee *(Continued)*

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Target Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Target Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Staff quarter	Over the term of lease
Office premises	Over the term of lease
Factory	Over the term of lease

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Target Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Target Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Target Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Target Group remeasures the lease liability using a revised discount rate.

The Target Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Target Group recognises any remaining amount of the remeasurement in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

As lessee *(Continued)*

A lease modification is accounted for as a separate lease if:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Target Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Target Group determines the lease term of the modified contract.

(c) the Target Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Target Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Target Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Target Group has applied the practical expedient provided in Amendments to HKFRS 16: COVID-19-Related Rent Concessions and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Target Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) 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;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Target Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Target Group in an independently administered fund.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill, or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deterred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Target Group and it is probable that the temporary difference will net reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Target Group, that is defined as:

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

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of the holding company of the Target Group.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Related parties *(Continued)*

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

(i) the entity and the Target Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also related to the Target Group.

(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 holding company of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Historical Financial Information. They affect the application of the Target Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty are as follow:

Useful lives of property, plant and equipment, right-of-use assets and intangible assets

The management determines the estimated useful lives of the Target Group's property, plant and equipment, right-of-use assets and intangible assets based on the historical experience of the actual useful lives of assets of similar nature and functions or expected useful lives of assets, after taking into account of the estimated technology life cycle. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation and amortisation charges included in profit or loss.

Impairment of property, plant and equipment, right-of-use assets and intangible assets

The management determines whether the Target Group's property, plant and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists or when annual impairment testing is required. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment, right-of-use assets and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Loss allowance for ECL

The Target Group's management estimates the loss allowance for trade receivables by using various inputs and assumptions including risk of a default and expected loss rate and loan receivables. The estimation involves high degree of uncertainty which is based on the Target Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables. Details of the key assumption and inputs used in estimating ECL are set out in Note 30 to the Historical Financial Information.

Revenue recognition

The Target Group recognised revenue from system integration services and software solution services over a period of time by reference to the progress towards complete satisfaction of the performance obligations of each project at the reporting date. The management has to assess the relevancy of performance obligations for each project and the allocate the transaction prices among various performance obligations in order to determine the recognition point(s) of revenue. The recognition of revenue is therefore owning to the inherent risk associated with the management's judgement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Future changes in HKFRSs

At the date of approving the Historical Financial Information, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the Relevant Periods, which the Target Group has not early adopted.

Amendments to HKAS 16	Proceeds before Intended Use [1]
Amendments to HKAS 37	Cost of Fulfilling a Contract [1]
Amendments to HKFRS 3	Reference to the Conceptual Framework [1]
Annual Improvements to HKFRSs	2018–2020 Cycle [1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [2]
Amendments to HKAS 1	Disclosure of Accounting Policies [2]
Amendments to HKAS 8	Definition of Accounting Estimates [2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [2]
HKFRS 17	Insurance Contracts [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] The effective date to be determined

The management of the Target Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Target Group's consolidated financial information.

4. SEGMENT INFORMATION

The Target Group's operating activities are attributable to a single operating segment focusing on health and medical services related information technology solutions and smart terminal devices, utilising digitalisation and artificial intelligence technology in the PRC during the Relevant Periods. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs that are regularly reviewed by the executive directors of the Target Company, being identified as the chief operating decision maker. They review the results of the Target Group as a whole in order to assess financial performance and allocation of resources. Accordingly, the operation of the Target Group constitutes only one single operating segment and no further analysis of this single segment is presented.

Geographical information

All of the Target Group's revenue from external customers during the Relevant Periods was derived from the PRC and all of the Target Group's assets and liabilities at the end of each Relevant Periods are located in the PRC.

4. SEGMENT INFORMATION *(Continued)*

Information about major customers

During the Relevant Periods, revenue from customers individually contributing 10% or more of the total revenue of the Target Group for the relevant year/period is as follow:

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Customer A	24,064	21,903	22,862	*<Note>*	17,182
Customer B	14,666	22,237	25,613	7,450	*<Note>*
Customer C	13,203	*<Note>*	*<Note>*	*<Note>*	*<Note>*
Customer D	*<Note>*	25,225	*<Note>*	8,272	*<Note>*

Note: The customer contributed less than 10% of the total revenue of the Target Group for the respective year/period.

5. REVENUE

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue from contracts with customers within HKFRS 15					
Over time					
— system integration services	85,066	89,944	84,572	36,307	27,949
— software solution services	12,239	26,899	24,328	7,113	14,794
— technical services	11,874	22,021	21,284	5,743	10,000
	109,179	138,864	130,184	49,163	52,743
At a point in time					
— sales of hardware	7,419	9,860	10,528	4,763	2,837
	116,598	148,724	140,712	53,926	55,580

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Gain on financial assets at FVPL	—	150	150	—	—
Government subsidies *(Note)*	3,715	9,503	11,588	2,233	5,108
Interest income	247	332	414	144	247
Others	—	99	90	—	—
	3,962	10,084	12,242	2,377	5,355

Note: The government subsidies are included tax refund and subsidies for IT enterprise. In the opinion of the management of the Target Group, there was no unfulfilled condition or contingency relating to the government subsidies.

7. PROFIT BEFORE INCOME TAX

This is stated after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Finance costs					
Finance costs on interest-bearing borrowings	—	427	357	191	118
Finance costs on lease liabilities	34	56	59	35	10
Others	12	27	32	15	18
	46	510	448	241	146
Less: finance costs capitalised	—	(427)	(357)	(191)	(118)
	46	83	91	50	28
Staff costs and related expenses (including directors' emoluments)					
Salaries, allowances and other benefits in kind	22,232	28,774	33,098	12,338	15,001
Contributions to defined contribution plans	2,776	3,773	2,553	1,185	2,349
	25,008	32,547	35,651	13,523	17,350
Represented by:					
Staff costs for administrative and sales staff	14,447	18,932	18,151	6,946	9,206
Staff costs for research and development expenses	10,544	10,184	12,490	4,819	6,324
Staff costs capitalised as "Intangible assets"	—	2,963	2,535	876	—
Staff costs allocated to "Cost of inventories"	17	468	2,475	882	1,820
	25,008	32,547	35,651	13,523	17,350
Other items					
Auditor's remuneration	20	67	82	51	45
Amortisation of intangible assets, included in administrative expenses	—	9	87	11	349
Cost of inventories	61,138	69,812	66,237	25,044	23,729
Depreciation	1,021	1,727	1,667	982	1,226
Loss on disposal of property, plant and equipment	—	97	130	—	—
Loss on early termination of leases	—	—	326	—	—
Provision for (Reversal of) loss allowance for trade and other receivables	1,099	1,628	(239)	940	473
Research and development expenses	11,231	10,693	13,096	4,962	6,494

8. DIRECTORS' EMOLUMENTS

The aggregate amounts of remuneration received and receivable by the directors of the Target Company during the Relevant Periods are set out below.

Year ended 31 December 2018

	Directors' fees	**Salaries, allowances and other benefits in kind**	**Discretionary bonus**	**Contributions to defined contribution plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Wu Tianen *(Note i)*	—	—	—	—	—
Lu Linming	—	279	352	39	670
Chen Xi	—	—	—	—	—
	—	279	352	39	670

Year ended 31 December 2019

	Directors' fees	**Salaries, allowances and other benefits in kind**	**Discretionary bonus**	**Contributions to defined contribution plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Wu Tianen *(Note i)*	—	—	—	—	—
Lu Linming	—	284	550	43	877
Chen Xi	—	—	—	—	—
Yan Xinyong *(Note ii)*	—	—	—	—	—
Chen Jianqi *(Note iii)*	—	201	210	37	448
Li Shenghao *(Note iv)*	—	—	—	—	—
	—	485	760	80	1,325

8. DIRECTORS' EMOLUMENTS *(Continued)*

Year ended 31 December 2020

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Wu Tianen *(Note i)*	—	—	—	—	—
Lu Linming	—	285	738	32	1,055
Chen Xi	—	—	—	—	—
Yan Xinyong *(Note ii)*	—	—	—	—	—
Li Shenghao *(Note iv)*	—	—	—	—	—
Wei Henan *(Note v)*	—	—	—	—	—
	—	285	738	32	1,055

Six months ended 30 June 2020 (Unaudited)

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Wu Tianen *(Note i)*	—	—	—	—	—
Lu Linming	—	139	—	16	155
Chen Xi	—	—	—	—	—
Yan Xinyong *(Note ii)*	—	—	—	—	—
Li Shenghao *(Note iv)*	—	—	—	—	—
Wei Henan *(Note v)*	—	—	—	—	—
	—	139	—	16	155

Six months ended 30 June 2021

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Lu Linming	—	139	—	22	161
Chen Xi	—	—	—	—	—
Yan Xinyong *(Note ii)*	—	—	—	—	—
Li Shenghao *(Note iv)*	—	—	—	—	—
Wei Henan *(Note v)*	—	—	—	—	—
	—	139	—	22	161

8. DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

(i) Mr. Wu Tianen resigned as a director of the Target Company on 21 April 2020.

(ii) Mr. Yan Xinyong was appointed as a director of the Target Company on 29 January 2019.

(iii) Mr. Chen Jianqi was appointed as a director of the Target Company on 29 January 2019 and resigned as director of the Target Company on 28 February 2019.

(iv) Mr. Li Shenghao was appointed as a director of the Target Company on 28 February 2019.

(v) Mr. Wei Henan was appointed as a director of the Target Company on 21 April 2020.

During the Relevant Periods, no emoluments were paid by the Target Group to any of these directors as an inducement to join or upon joining the Target Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Director	1	1	1	1	1
Non-director	4	4	4	4	4
	5	5	5	5	5

Details of the remuneration of the above highest paid individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	1,927	2,147	2,472	452	569
Contributions to defined contribution plans	107	118	66	26	37
	2,034	2,265	2,538	478	606

9. FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Nil to HK$1,000,000	4	4	4	4	4

During the Relevant Periods, no remuneration was paid by the Target Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Target Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid individuals waived or agreed to waive any emoluments during the Relevant Periods.

10. TAXATION

The PRC Enterprise Income Tax (the "**PRC EIT**") is calculated at 25% of the estimated assessable profits for the Relevant Periods, except the Target Company was recognised as a qualified enterprise under relevant tax policy in the PRC and eligible to a reduction of tax rate of 12.5% for the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax					
PRC EIT	—	6,122	5,992	2,037	1,990
Deferred tax					
Changes in temporary differences	(1,647)	(1,707)	(2,232)	(861)	(1,041)
Total income tax (credit) expenses for the year/period	(1,647)	4,415	3,760	1,176	949

10. TAXATION *(Continued)*

Reconciliation of income tax (credit) expenses

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	24,778	45,762	44,113	14,789	15,543
Income tax at applicable tax rates	6,195	11,441	11,028	3,697	3,886
Non-deductible expenses	600	725	1,235	37	619
Recognition of previously unrecognised deferred tax assets	(1,066)	(783)	(538)	(489)	(19)
Unrecognised temporary differences	(581)	(924)	(1,694)	—	(1,022)
Tax concession	(6,795)	(6,044)	(6,271)	(2,069)	(2,515)
Income tax (credit) expenses for the year/period	(1,647)	4,415	3,760	1,176	949

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

12. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Dividends declared and paid	—	20,000	—	—	—

No dividends per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

13. INVESTMENT IN SUBSIDIARIES

Details of subsidiaries at the end of each Relevant Periods are as follows:

Name of the subsidiaries	Place and date of incorporation	Particulars of issued and paid up capital	Effective ownership interests held by the Company				Principal activities/place of operation
			31 December 2018	31 December 2019	31 December 2020	30 June 2021	
Directly held by the Company							
徐州醫聯康護信息技術有限公司(「**徐州醫聯**」) *(Note i)*	The PRC, 29 November 2017	Paid up capital, RMB10,000,000	100%	100%	100%	100%	Provision of software and information technology services/ The PRC
山西醫聯康護科技有限公司(「**山西醫聯康護**」)*(Note i)*	The PRC, 19 October 2018	Paid up capital, Nil	51%	51%	51%	51%	Provision of software and information technology services/ The PRC
廈門醫聯康護科技有限公司 *(Note i)*	The PRC, 10 January 2019	Paid up capital, RMB30,000,000	N/A	100%	100%	100%	Provision of technology promotion and application services/ The PRC
福州醫聯訊通信息技術服務有限公司 *(Note i)*	The PRC, 8 April 2020	Paid up capital, RMB1,000,000	N/A	N/A	67%	67%	Provision of software and information technology services/ The PRC
福建醫聯康護銀醫通科技有限公司 *(Note i)*	The PRC, 18 September 2020	Paid up capital, RMB20,000,000	N/A	N/A	100%	100%	Provision of software and information technology services/ The PRC
福建醫聯康養養老服務有限公司 *(Note i)*	The PRC, 18 September 2020	Paid up capital, Nil	N/A	N/A	100%	100%	Social services/ The PRC
陝西醫聯康護信息技術有限公司 *(Note i)*	The PRC, 7 June 2021	Paid up capital, Nil	N/A	N/A	N/A	51%	Wholesales/ The PRC
Indirectly held by the Company							
廈門醫聯智邦科技有限公司 *(Note i)*	The PRC, 5 December 2019	Paid up capital, RMB3,300,000	N/A	51%	51%	100%	Research and development/ The PRC
福建醫聯睿雋信息科技有限公司(「**福建醫聯睿雋**」) *(Note i)*	The PRC, 19 May 2020	Paid up capital, RMB2,000,000	N/A	N/A	51%	51%	Provision of software and information technology services/ The PRC

Note:

(i) Registered under the laws of the PRC as domestic enterprise

(ii) The financial statements, as prepared in accordance with respective local financial reporting standards, of 徐州醫聯 were audited by Mazars Certified Public Accountants LLP for the years ended 31 December 2018, 2019 and 2020. No statutory audited financial statements have been prepared for other subsidiaries for the period from their respective dates of incorporation to the date of this report as they are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

13. INVESTMENT IN SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material NCI

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material NCI of respective Relevant Period. The summarised financial information represents amounts before inter-company eliminations.

	山西醫聯康護
At 31 December 2020	
Proportion of NCI's ownership interests	49%
	RMB'000
Current assets	9,514
Non-current assets	127
Current liabilities	(4,811)
Net assets	4,830
Carrying amount of NCI	2,367
Year ended 31 December 2020	
Revenue	5,517
Expenses	(3,193)
Profit and total comprehensive income	2,324
Profit and total comprehensive income attributable to NCI	1,139
Net cash flows used in:	
Operating activities	(639)
Investing activities	—
Financing activities	(8)
Total cash outflows	(647)

13. INVESTMENT IN SUBSIDIARIES *(Continued)*

Financial information of subsidiaries with individually material NCI *(Continued)*

	山西醫聯康護	福建醫聯睿雋
At 30 June 2021		
Proportion of NCI's ownership interests	49%	49%
	RMB'000	*RMB'000*
Current assets	6,237	1,827
Non-current assets	107	47
Current liabilities	(4,209)	(17)
Net assets	2,135	1,857
Carrying amount of NCI	1,046	910
Six months ended 30 June 2021		
Revenue	619	—
Expenses	(314)	(73)
Profit (Loss) and total comprehensive income	305	(73)
Profit (Loss) and total comprehensive income (expenses) attributable to NCI	149	(36)
Dividends paid to NCI	(1,470)	—
Net cash flows used in:		
Operating activities	(1,358)	(97)
Investing activities	—	—
Financing activities	—	—
Total cash outflows	(1,358)	(97)

14. INTERESTS IN ASSOCIATES

	At 31 December			At 30 June
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	710	1,121	11,802	12,934

Details of all associates at the end of each Relevant Periods are as follows:

Name of the subsidiaries	Principal place of business and place of incorporation	Registered and paid up capital	Effective ownership interests held by the Company				Principal activities
			31 December 2018	31 December 2019	31 December 2020	30 June 2021	
Directly held by the Company							
廈門康護在線科技有限公司 (「**廈門康護在線**」)	The PRC	RMB5,880,000	36%	36%	32%	29%	Provision of software and information technology services
廈門醫聯康護護工集團有限公司 (「**廈門醫聯康護**」)	The PRC	RMB11,840,000	N/A	N/A	49%	49%	Provision of software and information technology services

14. INTERESTS IN ASSOCIATES *(Continued)*

Financial information of individually material associates

Summarised financial information of each of the material associates of the Target Group of respective Relevant Periods is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	廈門康護在線	廈門醫聯康護
	RMB'000	*RMB'000*
At 31 December 2020		
Gross amount		
Current assets	3,548	11,783
Non-current assets	985	33
Current liabilities	(348)	(34)
Equity	4,185	11,782
Reconciliation		
Gross amount of equity	4,185	11,782
Target Group's ownership interests	32%	49%
Target Group's share of equity and carrying amount of interests	2,050	9,752
Year ended 31 December 2020		
Gross amount		
Revenue	12	—
Loss and total comprehensive expenses	(1,573)	(100)
Target Group's share of:		
Loss and total comprehensive expenses	(510)	(49)

14. INTERESTS IN ASSOCIATES *(Continued)*

Financial information of individually material associates *(Continued)*

	廈門康護在線	廈門醫聯康護
	RMB'000	*RMB'000*
At 30 June 2021		
Gross amount		
Current assets	9,972	11,693
Non-current assets	1,158	63
Current liabilities	(79)	(27)
Equity	11,051	11,729
Reconciliation		
Gross amount of equity	11,051	11,729
Target Group's ownership interests	29%	49%
Target Group's share of equity and carrying amount of interests	3,226	9,708
Six months ended 30 June 2021		
Gross amount		
Revenue	8	—
Loss and total comprehensive expenses	(559)	(90)
Target Group's share of:		
Loss and total comprehensive expenses	(163)	(44)

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Building *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicle *RMB'000*	Total *RMB'000*
Reconciliation of carrying amount — Year ended 31 December 2018						
At 1 January 2018	97	190	—	115	—	402
Additions	—	350	—	178	180	708
Depreciation	—	(176)	—	(33)	(19)	(228)
At 31 December 2018	97	364	—	260	161	882
Reconciliation of carrying amount — Year ended 31 December 2019						
At 1 January 2019	97	364	—	260	161	882
Additions	19,355	100	—	788	—	20,243
Depreciation	—	(154)	—	(176)	(28)	(358)
Disposals	(97)	—	—	—	—	(97)
At 31 December 2019	19,355	310	—	872	133	20,670
Reconciliation of carrying amount — Year ended 31 December 2020						
At 1 January 2020	19,355	310	—	872	133	20,670
Additions	24,735	125	—	853	340	26,053
Transfer of construction in progress	(275)	—	—	275	—	—
Depreciation	—	(161)	—	(266)	(69)	(496)
Disposals	(130)	—	—	—	—	(130)
At 31 December 2020	43,685	274	—	1,734	404	46,097
Reconciliation of carrying amount — Six months ended 30 June 2021						
At 1 January 2021	43,685	274	—	1,734	404	46,097
Additions	4,800	15	—	287	—	5,102
Transfer of construction in progress	(36,314)	430	35,507	377	—	—
Depreciation	—	(105)	(377)	(238)	(41)	(761)
At 30 June 2021	12,171	614	35,130	2,160	363	50,438

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Construction in progress	Leasehold improvements	Building	Furniture, fixtures and office equipment	Motor vehicle	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018						
Cost	97	592	—	315	180	1,184
Accumulated depreciation	—	(228)	—	(55)	(19)	(302)
	97	364	—	260	161	882
At 31 December 2019						
Cost	19,355	693	—	1,104	180	21,332
Accumulated depreciation	—	(383)	—	(232)	(47)	(662)
	19,355	310	—	872	133	20,670
At 31 December 2020						
Cost	43,685	818	—	2,231	520	47,254
Accumulated depreciation	—	(544)	—	(497)	(116)	(1,157)
	43,685	274	—	1,734	404	46,097
At 30 June 2021						
Cost	12,171	1,263	35,507	2,895	520	52,356
Accumulated depreciation	—	(649)	(377)	(735)	(157)	(1,918)
	12,171	614	35,130	2,160	363	50,438

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Staff quarter	Office premises	Factory	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount — Year ended 31 December 2018				
At 1 January 2018 — upon adoption of HKFRS 16	49	331	—	380
Additions	433	536	458	1,427
Depreciation	(177)	(554)	(62)	(793)
At 31 December 2018	305	313	396	1,014
Reconciliation of carrying amount — Year ended 31 December 2019				
At 1 January 2019	305	313	396	1,014
Additions	472	1,272	—	1,744
Depreciation	(482)	(747)	(140)	(1,369)
At 31 December 2019	295	838	256	1,389
Reconciliation of carrying amount — Year ended 31 December 2020				
At 1 January 2020	295	838	256	1,389
Additions	589	330	—	919
Depreciation	(555)	(523)	(93)	(1,171)
Termination of contracts	(77)	(271)	(163)	(511)
At 31 December 2020	252	374	—	626
Reconciliation of carrying amount — Six months ended 30 June 2021				
At 1 January 2021	252	374	—	626
Depreciation	(212)	(253)	—	(465)
Termination of contracts	(14)	—	—	(14)
At 30 June 2021	26	121	—	147

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

Right-of-use assets *(Continued)*

	Staff quarter	**Office premises**	**Factory**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018				
Cost	433	630	419	1,482
Accumulated depreciation	(128)	(317)	(23)	(468)
	305	313	396	1,014
At 31 December 2019				
Cost	620	1,005	419	2,044
Accumulated depreciation	(325)	(167)	(163)	(655)
	295	838	256	1,389
At 31 December 2020				
Cost	579	951	—	1,530
Accumulated depreciation	(327)	(577)	—	(904)
	252	374	—	626
At 30 June 2021				
Cost	226	951	—	1,177
Accumulated depreciation	(200)	(830)	—	(1,030)
	26	121	—	147

Lease liabilities

	At 31 December			**At 30 June**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	689	936	638	153
Non-current portion	342	483	—	—
	1,031	1,419	638	153

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

Lease liabilities *(Continued)*

The Target Group has recognised the following amounts for the Relevant Periods:

	Year ended 31 December			Six months ended 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of right-of-use assets	793	1,369	1,171	465
Finance costs on lease liabilities	34	56	59	10
Expenses related to short-term leases	212	564	192	10
	1,039	1,989	1,422	485

The Target Group leases various staff quarter, office premises and factory for its daily operations and the lease terms ranging from one to three years. The total cash outflow for leases was approximately RMB1,021,000, RMB1,976,000, RMB1,765,000 and RMB492,000, respectively, for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021.

At 31 December 2018, 2019 and 2020 and 30 June 2021, the weighted average effective interest rate for the lease liabilities of the Target Group was 2.56%, 2.21%, 3.29% and 2.69% per annum, respectively.

Commitment under leases

At 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group was committed to pay approximately RMB13,000, nil, RMB9,000 and nil, respectively, for short-term leases.

17. INTANGIBLE ASSETS

	Computer software	Internally developed technologies	Total
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of carrying amount — Year ended 31 December 2018			
At 1 January 2018 and 31 December 2018	—	—	—
Reconciliation of carrying amount — Year ended 31 December 2019			
At 1 January 2019	—	—	—
Additions	226	2,963	3,189
Amortisation	(9)	—	(9)
At 31 December 2019	217	2,963	3,180
Reconciliation of carrying amount — Year ended 31 December 2020			
At 1 January 2020	217	2,963	3,180
Additions	402	2,535	2,937
Amortisation	(41)	(46)	(87)
At 31 December 2020	578	5,452	6,030
Reconciliation of carrying amount — Six months ended 30 June 2021			
At 1 January 2021	578	5,452	6,030
Additions	814	373	1,187
Amortisation	(74)	(275)	(349)
At 30 June 2021	1,318	5,550	6,868

17. INTANGIBLE ASSETS *(Continued)*

	Computer software *RMB'000*	Internally developed technologies *RMB'000*	Total *RMB'000*
At 31 December 2018			
Cost	—	—	—
Accumulated amortisation	—	—	—
	—	—	—
At 31 December 2019			
Cost	226	2,963	3,189
Accumulated amortisation	(9)	—	(9)
	217	2,963	3,180
At 31 December 2020			
Cost	628	5,498	6,126
Accumulated amortisation	(50)	(46)	(96)
	578	5,452	6,030
At 30 June 2021			
Cost	1,442	5,871	7,313
Accumulated amortisation	(124)	(321)	(445)
	1,318	5,550	6,868

Development costs represented costs incurred at the development phase of certain new technologies, which are capitalised and amortised (if applicable) in accordance with the accounting policies set out in Note 3 to the Historical Financial Information.

At 31 December 2018, 2019 and 2020 and 30 June 2021, the carrying amounts of intangible assets yet to be available for use were approximately nil, RMB2,963,000, nil and RMB373,000, respectively.

The Target Group carried out annual impairment test for intangible assets already in use where an indicator of impairment appears by comparing their recoverable amounts to their carrying amounts at the end of each reporting period. The Target Group carries out annual impairment test for intangible assets yet to be available for use by comparing their recoverable amounts to their carrying amounts at the end of each reporting period.

At 31 December 2018, 2019 and 2020 and 30 June 2021, the management is of the view that there is no impairment indication for the intangible assets already in use; and the intangible assets yet to be available for use were not impaired as their recoverable amounts exceed their carrying amounts.

18. FINANCIAL ASSETS AT FVPL

	At 31 December			At 30 June
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investment in the PRC				
Mandatorily measured at FVPL	500	500	500	500

The amount represents 2.5% interest in a private entity incorporated in the PRC at the end of each Relevant Periods. Its principal activities are provision of software and information technology services.

19. INVENTORIES

	At 31 December			At 30 June
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	423	306	289	410
Work-in-progress	5,325	8,251	2,784	12,462
Finished goods	12,847	19,488	26,152	28,765
	18,595	28,045	29,225	41,637

20. TRADE AND OTHER RECEIVABLES

		At 31 December			At 30 June
		2018	2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
Third parties		10,383	27,919	39,188	51,189
Less: loss allowance		(1,025)	(2,469)	(2,182)	(2,756)
	20(a)	9,358	25,450	37,006	48,433
Other receivables					
Deposits, prepayment and other receivables		7,708	5,039	5,068	11,409
Less: loss allowance		(74)	(162)	(111)	(167)
	20(b)	7,634	4,877	4,957	11,242
		16,992	30,327	41,963	59,675

The Target Group would normally grant credit term up to 90 days from the date of issuance of invoices to its customers for their processing of billing settlement.

Information about the Target Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 30 to the Historical Financial Statements.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) At the end of each Relevant Periods, the ageing analysis of trade receivables (net of loss allowance) based on invoice date is as follows:

	At 31 December			At 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	4,503	16,940	20,828	10,928
91 to 180 days	926	2,528	7,761	13,590
181 to 365 days	51	5,113	3,893	15,566
Over 365 days	3,878	869	4,524	8,349
	9,358	25,450	37,006	48,433

At the end of each Relevant Periods, the ageing analysis of the trade receivables (net of loss allowance) by due date is as follows:

	At 31 December			At 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not yet due	4,278	16,140	19,792	10,382
Past due:				
Within 90 days	957	2,672	7,623	13,626
91 to 180 days	34	3,425	2,347	9,919
181 to 365 days	1,311	2,198	5,958	7,324
Over 365 days	2,778	1,015	1,286	7,182
	5,080	9,310	17,214	38,051
	9,358	25,450	37,006	48,433

(b) At 31 December 2018, 2019 and 2020 and 30 June 2021, included in deposits, prepayments and other receivables were prepayment to suppliers of approximately RMB6,330,000, RMB2,688,000, RMB3,236,000 and RMB4,837,000, respectively.

21. CONTRACT ASSETS/CONTRACT LIABILITIES

		At 31 December			At 30 June
		2018	2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets					
Gross amount		36,072	38,013	38,875	36,228
Less: loss allowance		(1,804)	(1,900)	(1,999)	(1,842)
	21(a)	34,268	36,113	36,876	34,386
Contract liabilities	*21(b)*	(20,476)	(22,429)	(21,565)	(18,049)
		13,792	13,684	15,311	16,337

At 31 December 2018, 2019 and 2020 and 30 June 2021, no retention was held by customers on service contracts. At 31 December 2018, 2019 and 2020 and 30 June 2021, the contract assets and liabilities are expected to be received or settled within 12 months.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets and contract liabilities with customers within HKFRS 15 during the year ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 are as follows:

(a) Contract assets

	Year ended 31 December			Six months ended 30 June
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	25,400	34,268	36,113	36,876
Transferred to trade receivables	(25,400)	(34,268)	(36,113)	(36,876)
Recognition of revenue	33,801	36,017	36,777	34,543
Increase (Decrease) in allowance	467	96	99	(157)
At the end of the reporting period	34,268	36,113	36,876	34,386

21. CONTRACT ASSETS/CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities

	Year ended 31 December			Six months ended 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	9,847	20,476	22,429	21,565
Recognition of revenue	(25,262)	(12,401)	(24,194)	(29,233)
Receipt of advances or recognition of receivables	35,891	14,354	23,330	25,717
At the end of the reporting period	20,476	22,429	21,565	18,049

At 31 December 2018, 2019 and 2020 and 30 June 2021, the contract liabilities that are expected to be settled after more than 12 months are approximately RMB432,000, RMB1,265,000, RMB1,692,000 and RMB1,452,000, respectively.

Unsatisfied or partially unsatisfied performance obligations

At 31 December 2018, 2019 and 2020 and 30 June 2021, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is as follow:

	At 31 December			At 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected timing of revenue recognition:				
Within 1 year	20,044	21,164	19,873	16,597
More than 1 year bur within 2 years	432	1,265	1,136	896
More than 2 years but within 3 years	—	—	556	556
	20,476	22,429	21,565	18,049

22. RESTRICTED BANK BALANCES

At the end of each Relevant Periods, restricted bank balances represented balances placed in certain creditworthy banks as bank guarantees to customers in respect of the Target Group's fulfilment of related contracts.

23. TRADE AND OTHER PAYABLES

		At 31 December			At 30 June
		2018	2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables					
Third parties	*23(a)*	38,313	58,221	70,466	64,953
Other payables					
Accruals and other payables	*23(b)*	15,567	13,674	12,311	3,764
		53,880	71,895	82,777	68,717

(a) At the end of each Relevant Periods, the ageing analysis of the trade payables based on invoice date is as follows:

	At 31 December			At 30 June
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	13,150	24,673	27,500	20,254
91 to 180 days	2,282	5,523	8,717	4,829
181 to 365 days	—	—	2,848	4,238
Over 365 days	22,881	28,025	31,401	35,632
	38,313	58,221	70,466	64,953

The credit term on trade payables is up to 90 days.

(b) At 31 December 2018, 2019 and 2020 and 30 June 2021, included in accruals and other payables were salary payables of approximately RMB8,551,000, RMB10,991,000, RMB9,820,000 and RMB3,003,000, respectively.

24. DEFERRED TAXATION

The movement for the Relevant Periods in the Target Group's deferred tax assets was as follows:

	Provisions	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	1,061	1	1,062
Credit to profit or loss *(Note 10)*	1,066	581	1,647
At 31 December 2018 and 1 January 2019	2,127	582	2,709
Credit to profit or loss *(Note 10)*	783	924	1,707
At 31 December 2019 and 1 January 2020	2,910	1,506	4,416
Credit to profit or loss *(Note 10)*	538	1,694	2,232
At 31 December 2020 and 1 January 2021	3,448	3,200	6,648
Credit to profit or loss *(Note 10)*	19	1,022	1,041
At 30 June 2021	3,467	4,222	7,689

25. INTEREST-BEARING BORROWINGS

	At 31 December			**At 30 June**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings (Secured)	—	8,800	6,800	5,800
Carrying amounts of interest-bearing borrowings that are repayable				
Within 1 year	—	8,800	6,800	5,800

The interest-bearing borrowings represent amount due to a bank in the PRC with maturity period of less than one year at 30 June 2021.

At 31 December 2018, 2019 and 2020 and 30 June 2021, the interest-bearing borrowings bore a floating interest rate at the loan prime rate issued by the People's Bank of China plus 0.44% per annum. The effective interest rates on interest-bearing borrowings at 31 December 2018, 2019 and 2020 and 30 June 2021 are nil, 4.84%, 4.58% and 3.76% per annum, respectively.

25. INTEREST-BEARING BORROWINGS *(Continued)*

The interest-bearing borrowings are secured and guaranteed by:

(i) properties owned by the Target Group represented by construction in progress and building included in property, plant and equipment with aggregate net carrying amount of nil, approximately RMB16,592,000, RMB35,389,000 and RMB35,130,000 at 31 December 2018, 2019 and 2020 and 30 June 2021, respectively, as set out in Note 15 to the Historical Financial Information;

(ii) guarantees provided by the Ultimate Controlling Party.

26. SHARE CAPITAL

	RMB'000
Issued and fully paid:	
At 1 January 2018, 31 December 2018 and 1 January 2019	20,000
Issue of share capital *(Note)*	800
At 31 December 2019 and 2020 and 30 June 2021	20,800

Note: On 28 February 2019, the Target Company issued and allotted new ordinary shares of RMB800,000 to an independent third party at a total consideration of RMB10,000,000. These shares rank pari passu with the existing shares in all respect.

27. RESERVES

(a) Capital reserves

It represents the excess of the net proceeds from issuance of the Target Company's shares over its par value. Under the law of the PRC and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

(b) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the relevant articles of association of the group entities incorporated in the PRC (the "**PRC Subsidiaries**"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the paid-up capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into paid-up capital provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the paid-up capital.

27. RESERVES *(Continued)*

(c) Movement of reserves of the Target Company

	Capital reserves *RMB'000*	Statutory reserves *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*
At 1 January 2018	—	1,360	12,466	13,826
Profit for the year and total comprehensive income for the year	—	—	26,434	26,434
Transactions with owners:				
Contributions and distributions				
Transfer to statutory reserves	—	2,823	(2,823)	—
Total transactions with owners	—	2,823	(2,823)	—
At 31 December 2018	—	4,183	36,077	40,260
At 1 January 2019	—	4,183	36,077	40,260
Profit for the year and total comprehensive income for the year	—	—	39,825	39,825
Transactions with owners:				
Contributions and distributions				
Addition paid-up capital	9,200	—	—	9,200
Dividends	—	—	(20,000)	(20,000)
Transfer to statutory reserves	—	4,279	(4,279)	—
Total transactions with owners	9,200	4,279	(24,279)	(10,800)
At 31 December 2019	9,200	8,462	51,623	69,285
At 1 January 2020	9,200	8,462	51,623	69,285
Profit for the year and total comprehensive income for the year	—	—	40,714	40,714
Transactions with owners:				
Contributions and distributions				
Transfer to statutory reserves	—	4,291	(4,291)	—
Total transactions with owners	—	4,291	(4,291)	—
At 31 December 2020	9,200	12,753	88,046	109,999
At 1 January 2021	9,200	12,753	88,046	109,999
Profit for the year and total comprehensive income for the period	—	—	14,224	14,224
Transactions with owners:				
Contributions and distributions				
Acquisition of non-controlling interest in a subsidiary	—	—	—	—
Total transactions with owners	—	—	—	—
At 30 June 2021	9,200	12,753	102,270	124,223

28. OTHER CASH FLOWS INFORMATION

Reconciliation of liabilities arising from financing activities

The movements during the Relevant Periods in the Target Group's liabilities arising from financing activities are as follows:

Year ended 31 December 2018

	At 1 January 2018	Net Cash flows	Non-cash changes: Adoption of HKFRS 16	Non-cash changes: Addition	At 31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	—	(776)	380	1,427	1,031
Total liabilities from financing activities	—	(776)	380	1,427	1,031

Year ended 31 December 2019

	At 1 January 2019	Net Cash flows	Non-cash changes: Addition	At 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	—	8,800	—	8,800
Lease liabilities	1,031	(1,356)	1,744	1,419
Total liabilities from financing activities	1,031	7,444	1,744	10,219

Year ended 31 December 2020

	1 January 2020	Net Cash flows	Non-cash changes: Addition	Non-cash changes: Termination of contracts	At 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	8,800	(2,000)	—	—	6,800
Lease liabilities	1,419	(1,515)	919	(185)	638
Total liabilities from financing activities	10,219	(3,515)	919	(185)	7,438

28. OTHER CASH FLOWS INFORMATION *(Continued)*

Reconciliation of liabilities arising from financing activities *(Continued)*

Six months ended 30 June 2020 (Unaudited)

	At 1 January 2020	Net Cash flows	Non-cash changes: Addition	At 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	8,800	(1,000)	—	7,800
Lease liabilities	1,419	(761)	475	1,133
Total liabilities from financing activities	10,219	(1,761)	475	8,933

Six months ended 30 June 2021

	At 1 January 2021	Net Cash flows	Non-cash changes: Termination of contracts	At 30 June 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	6,800	(1,000)	—	5,800
Lease liabilities	638	(471)	(14)	153
Total liabilities from financing activities	7,438	(1,471)	(14)	5,953

29. RELATED/CONNECTED PARTIES TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, the Target Group had the following transactions with related/connected parties:

(a) Transactions with related/connected parties:

Relationship	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2018	2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
易聯眾信息技術股份有限公司, shareholder of the Target Company and its affiliates	Sales	12,495	7,493	11,494	2,271	4,622
	Purchases	4,089	7,221	5,984	2,936	—
	Rental expenses	290	137	300	137	—

In the opinion of the management, they are under normal commercial terms that are fair and reasonable and in the best interests of the Target Group.

(b) Remuneration for key management personnel (including directors) of the Target Group:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, allowances and other benefits in kind	3,096	3,638	4,432	849	1,031
Contributions to defined contribution plans	200	219	150	74	106
	3,296	3,857	4,582	923	1,137

Further details of the directors' remuneration are set out in Note 8 to the Historical Financial Information.

(c) Personnel guarantees obtained

The Ultimate Controlling Party has provided personal guarantees in respect of the interest-bearing borrowings obtained by the Target Group from a bank in the PRC as set out in Note 25 to the Historical Financial Information.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise financial assets at FVPL interest-bearing borrowings, leases liabilities, restricted bank balance and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Target Group's operations. The Target Group has various other financial instruments such as trade and other receivables/payables, contract assets and contract liabilities which arise directly from its business activities.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The management generally adopts conservative strategies on its risk management and limits the Target Group's exposure to these risks to a minimum level as follows:

Interest rate risk

The Target Group's exposure to market risk for changes in interest rates relates primarily to the Target Group's interest-bearing borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing borrowings of the Target Group are disclosed in Note 25 to the Historical Financial Information.

At the end of each Relevant Periods, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Target Group's profit before income tax would decrease/increase by nil, approximately RMB44,000, RMB34,000, RMB39,000 (unaudited) and RMB29,000 for the year ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2020 and 2021, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the Relevant Periods.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Target Group, resulting in a loss to the Target Group. The Target Group's credit risk is mainly attributable to trade and other receivables, restricted bank balances and bank balances and cash. The Target Group limits its exposure to credit risk by selecting counterparties with reference to their past credit history and/or market reputation.

The carrying amount of financial assets recognised on the consolidated statements of financial position, which is net of impairment losses, represents the Target Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

Trade receivables and contract assets

The Target Group trades only with recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Target Group limits its exposure to credit risk from trade receivables and contract assets by establishing a maximum payment period of three months.

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Target Group's own trading records.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

The Target Group's customer base consists of a wide range of clients and the trade receivables and contract assets are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Target Group applies a simplified approach in calculating ECL for trade receivables and contract assets and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on historical observed loss rates over the expected life of the trade receivables and contract assets and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Target Group's estimate on future economic conditions over the expected lives of the receivables.

The information about the exposure to credit risk and ECL for trade receivables and contract assets using a provision matrix at 31 December 2018, 2019 and 2020 and 30 June 2021 is summarised below.

At 31 December 2018

	Expected loss rate *%*	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*	Credit-impaired
Trade receivables					
Not past due	5.00	4,503	225	4,278	No
Past due:					
Within 90 days	9.58	1,058	101	957	No
91 to 180 days	9.58	38	4	34	No
181 to 365 days	9.58	1,450	139	1,311	No
Over 365 days	16.67	3,334	556	2,778	No
		10,383	1,025	9,358	
Contract assets	5.00	36,072	1,804	34,268	No

At 31 December 2019

	Expected loss rate *%*	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*	Credit-impaired
Trade receivables					
Not past due	5.00	16,989	849	16,140	No
Past due:					
Within 90 days	13.98	3,106	434	2,672	No
91 to 180 days	13.98	3,982	557	3,425	No
181 to 365 days	13.98	2,555	357	2,198	No
Over 365 days	21.13	1,287	272	1,015	No
		27,919	2,469	25,450	
Contract assets	5.00	38,013	1,900	36,113	No

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

At 31 December 2020

	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*	Credit-impaired
Trade receivables					
Not past due	5.00	20,828	1,036	19,792	**No**
Past due:					
Within 90 days	5.87	8,098	475	7,623	**No**
91 to 180 days	5.87	2,493	146	2,347	**No**
181 to 365 days	5.87	6,330	372	5,958	**No**
Over 365 days	10.60	1,439	153	1,286	**No**
		39,188	2,182	37,006	
Contract assets	5.00	38,875	1,999	36,876	**No**

At 30 June 2021

	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*	Net carrying amount *RMB'000*	Credit-impaired
Trade receivables					
Not past due	5.00	10,928	546	10,382	**No**
Past due:					
Within 90 days	5.05	14,351	725	13,626	**No**
91 to 180 days	5.05	10,447	528	9,919	**No**
181 to 365 days	5.05	7,714	390	7,324	**No**
Over 365 days	7.32	7,749	567	7,182	**No**
		51,189	2,756	48,433	
Contract assets	5.00	36,228	1,842	34,386	**No**

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Trade receivables and contract assets *(Continued)*

At 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group recognised loss allowance of approximately RMB2,829,000, RMB4,369,000, RMB4,181,000 and RMB4,598,000, respectively, on the trade receivables and contract assets. The movement in the loss allowance for trade receivables and contract assets is summarised below.

	Year ended 31 December			Six months ended 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
At the beginning of the reporting period	435	1,025	2,469	2,182
Increase (Decrease) in allowance	590	1,444	(287)	574
At the end of the reporting period	1,025	2,469	2,182	2,756
Contract assets				
At the beginning of the reporting period	1,337	1,804	1,900	1,999
Increase (Decrease) in allowance	467	96	99	(157)
At the end of the reporting period	1,804	1,900	1,999	1,842

There was no change in the estimation techniques or other significant assumptions made during the Relevant Periods. No trade receivables or contract assets were written off during the Relevant Periods.

The Target Group does not hold any collateral over trade receivables and contract assets at 31 December 2018, 2019 and 2020 and 30 June 2021.

Other receivables

Other receivables include deposits, prepayment and other receivables. Impairment on other receivables is measured on lifetime ECL and reflects the short maturities of the exposures.

In estimating the ECL, the Target Group has taken into account the financial position of the counterparties by reference to, among others, its management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of the financial asset, as well as the loss upon default.

At 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group recognised loss allowance of approximately RMB74,000, RMB162,000, RMB111,000 and RMB167,000, respectively, on other receivables. The movement in the loss allowance for other receivables is summarised below.

	Year ended 31 December			Six months ended 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	32	74	162	111
Increase (Decrease) in allowance	42	88	(51)	56
At the end of the reporting period	74	162	111	167

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Other receivables *(Continued)*

The Target Group does not hold any collateral over other receivables at 31 December 2018, 2019 and 2020 and 30 June 2021.

Restricted bank balances and bank balances and cash

The management considers the credit risk on restricted bank balances and bank balances and cash is minimal because the counterparties are authorised financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Liquidity risk

Management of the Target Group aims at maintaining sufficient level of cash and cash equivalents to finance the Target Group's operations and expected expansion. The Target Group finances its working capital requirements mainly by the funds generated from operations, public fund raisings and inception of interest-bearing borrowings (if any).

The Target Group's financial liabilities at the end of the Relevant Periods based on contractual undiscounted payments are summarised below:

	Total carrying amount	Total contractual undiscounted cash flow	On demand or less than 1 year	1 to 2 years	2 to 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018					
Trade and other payables	53,880	53,880	53,880	—	—
Lease liabilities	1,031	1,075	739	198	138
	54,911	54,955	54,619	198	138
At 31 December 2019					
Trade and other payables	71,895	71,895	71,895	—	—
Interest-bearing borrowings *(Note)*	8,800	9,636	9,636	—	—
Lease liabilities	1,419	1,471	979	492	—
	82,114	83,002	82,510	492	—

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	Total carrying amount	Total contractual undiscounted cash flow	On demand or less than 1 year	1 to 2 years	2 to 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020					
Trade and other payables	82,777	82,777	82,777	—	—
Interest-bearing borrowings *(Note)*	6,800	7,123	7,123	—	—
Lease liabilities	638	649	649	—	—
	90,215	90,549	90,549	—	—
At 30 June 2021					
Trade and other payables	68,717	68,717	68,717	—	—
Interest-bearing borrowings *(Note)*	5,800	5,938	5,938	—	—
Lease liabilities	153	154	154	—	—
	74,670	74,809	74,809	—	—

Note: The amounts repayable under bank loan agreement that include a clause that gives the bank an unconditional right to call the borrowings at any time are classified under the category of "On demand or less than 1 year". However, the management of the Target Group does not expect that the bank would exercise such right to demand the repayment, and accordingly to the terms as set out in the bank loan agreement, the Target Group has to settle the loan within the loan period which is detailed in the withdrawal receipt.

Fair value

The carrying amount of the financial assets and liabilities carried at amortised cost in the Historical Financial Information approximate their fair values at 31 December 2018, 2019 and 2020 and 30 June 2021.

31. CAPITAL MANAGEMENT

The objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to provide returns for equity owners. The Target Group manages its capital structure and makes adjustments, including payment of dividends to equity owners, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Relevant Periods.

32. CAPITAL COMMITMENTS

The Target Company had the following capital commitments at the end of each Relevant Periods:

	At 31 December			At 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additional capital injection to subsidiaries	2,040	22,040	102,040	104,590

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with HKFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2021.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's independent reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

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

MAZARS CPA LIMITED
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26 October 2021

The Board of Directors
China Smartpay Group Holdings Limited
Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Smartpay Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") prepared by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities at 31 March 2021 and related notes as set out in Appendix III to the circular in connection with the proposed acquisition of 35% issued share of Fujian Medical Union Health Care Information Technology Co., Ltd. (the "**Target Company**", English translation of 福建醫聯康護信息技術有限公司 for identification purpose only) and its subsidiaries (the "**Target Group**", together with the Group hereinafter collectively referred to as the "**Post Acquisition Group**") (the "**Acquisition**") dated 26 October 2021 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix III to 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 consolidated financial position at 31 March 2021 as if the Acquisition had taken place on 31 March 2021. As part of this process, information about the Group's audited consolidated financial position at 31 March 2021 has been extracted by the Directors from the Group's annual report for the year ended 31 March 2021 which an audit report has been published. Information about the financial position of the Target Group at 30 June 2021 has been extracted by the Directors from Appendix II to the Circular, if applicable.

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 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM 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 ("**HKICPA**").

Reporting accountants' 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 behavior.

The firm applies Hong Kong Standard on Quality Control 1 (Clarified) *"Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, 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 accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM 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 Pro Forma Financial Information Included in a Prospectus"* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose 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 the unaudited pro forma financial information included in the 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 had occurred or the 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 events or transactions at 31 March 2021 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 unaudited 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 accountants' judgement, having regard to the reporting accountants' 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 by the Directors 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 7.31(1) of the GEM Listing Rules.

Mazars CPA Limited
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST ACQUISITION GROUP

1. INTRODUCTION

The following is a summary of illustrative unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities at 31 March 2021 in connection with the proposed acquisition of 35% issued share of Fujian Medical Union Health Care Information Technology Co., Ltd. (the "**Target Company**", English translation of 福建醫聯康護信息技術有限公司 for identification purpose only) and its subsidiaries (the "**Target Group**") (the "**Acquisition**"). The unaudited pro forma financial information presented below is prepared to illustrate the financial position of the Group immediately after completion of the Acquisition (the "**Post Acquisition Group**") at 31 March 2021 as if the Acquisition had been completed on 31 March 2021.

The unaudited pro forma financial information is prepared based on the audited consolidated statement of financial position of the Group at 31 March 2021 as extracted from the annual report of the Group for the year ended 31 March 2021 and the audited consolidated statement of financial position of the Target Group at 30 June 2021 as extracted from Appendix II to the Circular, if applicable.

The unaudited pro forma financial information is presented after making pro forma adjustments that are directly attributable to the Acquisition and not relating to future events or decisions, factually supportable and clearly identified as to those adjustments which are expected to have no continuing effect on the Post Acquisition Group.

The unaudited pro forma financial information has been prepared by the Directors in accordance with paragraph 7.31(1) of the GEM Listing Rules, for the purposes of illustrating the effect of the Acquisition is based on a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, it may not give a true picture of the financial position of the Group had the Acquisition been completed as of 31 March 2021, where applicable, or any future date.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the annual report of the Group for the year ended 31 March 2021 and other financial information included elsewhere in the Circular.

The unaudited pro forma financial information of the Post Acquisition Group has been prepared based on a number of assumptions, estimates and uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not give a true picture of the financial position of the Post Acquisition Group as at the date to which it is made up or at any future date. Further, the unaudited pro forma consolidated statement of assets and liabilities of the Post Acquisition Group does not purport to predict the future financial position of the Post Acquisition Group.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE POST ACQUISITION GROUP

The unaudited pro forma consolidated statement of assets and liabilities of the Post Acquisition Group at 31 March 2021 has been prepared based on the audited condensed consolidated statement of financial position of the Group at 31 March 2021, which have been extracted from the annual report of the Company for the year then ended and the audited consolidated statement of financial position of the Target Group at 30 June 2021, which have been extracted from Appendix II, if applicable, after making pro forma adjustments relating to the Acquisition that are directly attributable to the transaction and factually supportable.

	The Group at 31 March 2021	Pro-Form Adjustment		The Post Acquisition Group at 31 March 2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 1)*
Non-current assets				
Interests in associates	295,632	174,655	—	**470,287**
Goodwill	—	—	—	**—**
Property, plant & equipment	10,080	—	—	**10,080**
Right-of-use assets	26,138	—	—	**26,138**
Intangible assets	12,883	—	—	**12,883**
Financial assets at FVPL	300	—	—	**300**
Deferred tax assets	292	—	—	**292**
	345,325	174,655	—	**519,980**
Current assets				
Inventories	324	—	—	**324**
Tax recoverable	2,511	—	—	**2,511**
Trade and other receivables	163,162	—	—	**163,162**
Restricted funds	250,980	—	—	**250,980**
Cash and cash equivalents	67,287	—	—	**67,287**
	484,264	—	—	**484,264**
Current liabilities				
Trade and other payables	375,186	—	3,000	**378,186**
Tax payables	9,008	—	—	**9,008**
Bonds payables	210,385	—	—	**210,385**
Contingent consideration	—	23,948	—	**23,948**
Lease liabilities	7,367	—	—	**7,367**
	601,946	23,948	3,000	**628,894**
Net current assets	(117,682)	(23,948)	(3,000)	**(144,630)**
Total assets less current liabilities	227,643	150,707	(3,000)	**375,350**
Non-current liabilities				
Deferred tax liabilities	7,071	—	—	**7,071**
Convertible bonds issued by a listed subsidiary	11,859	—	—	**11,859**
Other long term liabilities	6,327	—	—	**6,327**
Contingent consideration	—	60,309	—	**60,309**
Lease liabilities	18,711	—	—	**18,711**
	43,968	60,309	—	**104,277**
Net assets	183,675	90,398	(3,000)	**271,073**

3. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE POST ACQUISITION GROUP

1. The balances have been extracted, without adjustments, from the audited consolidated statement of financial position of the Group at 31 March 2021 as set out in the published annual report of the Company for the year ended 31 March 2021.

2. The adjustments represent considerations paid by the Group with respect to the Acquisition. Pursuant to the Sale and Purchase Agreement (as defined in this Circular), the total considerations of approximately RMB150,500,000 (equivalent to approximately HK$180,796,000) for the Acquisition which will be shall be satisfied entirely by the allotment and issue of a total of 903,979,914 Consideration Shares (as defined in this Circular) at HK$0.2 per share in four tranches as below:

   (i) 193,709,982 and 258,279,975 Consideration Shares shall be allotted and issued to the Vendors (or their respective nominee(s)), respectively, within one month upon the Completion; and

   (ii) 64,569,994 and 86,093,325 Consideration Shares shall be allotted and issued to the Vendors (or their respective nominee(s)), respectively, in each of the three tranches within one month upon the issue of the audited consolidated financial statements of the Target Group for each of the the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 (the "**Profit Guaranteed Period**") (the "**Contingent Consideration Share**").

   The Vendors guarantee to the Company that the audited consolidated net profits after tax of the Target Group for each of the Profit Guaranteed Period (the "**Actual Profit**") shall be not less than RMB30,000,000 (the "**Guaranteed Profit**"). In the event that the Actual Profit for any of the Profit Guaranteed Period is less than the Guaranteed Profit (the "**Underperformed Period**"), the number of Consideration Shares to be allotted and issued to the Vendors (or their respective nominee(s)) for the Underperformed Period shall be adjusted downward in accordance with the formula set out in the Sale and Purchase Agreement. However, in the event that the Actual Profit for any of the Profit Guaranteed Period is less than the Guaranteed Profit, yet the Actual Profit for the entire Profit Guaranteed Period is not less than RMB90,000,000, the Company shall allote and issue the shortfall of the Contingent Consideration Share to the Vendors (or their respective nominee(s)).

For the purposed of the unaudited pro forma financial information, the following adjustments have been made to reflect the settlement of the consideration:

	Face Value	**Fair value at 31 March 2021**
	HK$'000	*HK$'000*
Satisfied by:		
Consideration Shares issued upon the Completion	90,398	90,398
Contingent Consideration		
— Current	30,133	23,948
— Non-current	60,265	60,309
Consideration *(Remarks)*	180,796	174,655

Remarks:

The Directors have determined the fair value of the consideration including the Contingent Consideration Shares in accordance with the Hong Kong Financial Reporting Standard ("**HKFRS**") 13 "*Fair Value Measurement*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Roma Appraisals Limited ("**Roma**") has reviewed the methodologies and the key valuation parameters and business assumptions adopted.

The valuation of the Contingent Consideration Shares is mainly based on the trading price of the Company's shares, the latest financial information of the Target Group, the Target Group's financial performance forecast and other relevant indicators, which considered as significant inputs to the valuation. At 31 March 2021, the fair value of the Contingent Consideration Shares is estimated to be approximately HK$84,257,000.

The above-mentioned pro forma fair value of the Contingent Consideration Shares is subject to change as the actual valuation inputs, including but not limited to, the market interest rate, may change at the date of completion of the Acquisition.

Upon completion of the Acquisition, the Target Group will become an associated company of the Group and accounted for in the consolidated financial statements of the Group at cost under the equity method of accounting in accordance with Hong Kong Accounting Standard ("**HKAS**") 28 (2011) "*Investments in Associates and Joint Ventures*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The Directors have assessed whether there is any indication that interests in the Target Company as an associated company (include share of net assets together with implicit goodwill) may be impaired at 31 March 2021. When necessary, the Directors will follow the requirements of HKAS 36 "*Impairment of Assets*" issued by the HKICPA to perform the impairment test on the interest in the Target Company by comparing its recoverable amount, being higher of value in use and fair value less costs to sell, with its carrying amount to consider any recognition of impairment loss on interest in the Target Company.

With reference to a business valuation of the Target Company determined under on a market-based approach based on the price-to-earnings multiple as stated in a valuation report issued by an independent professional valuer, Roma, as set out in Appendix V of the Circular, since the market value of the Target Company has higher that the interests in the Target Company, no impairment indication existed and thus no impairment loss was to be recognised on the Group's interest in the Target Company at 31 March 2021 which is analysed as follows:

	RMB'000	*HK$'000*
Carrying values of the identifiable net assets of the Target Company at 30 June 2021 and fair value of the identifiable net assets	146,752	176,293
Shared by the Group	51,363	61,703
Goodwill arising from the Acquisition	94,025	112,952
Consideration	145,388	174,655

After completion, the Directors will adopt consistent accounting policies to assess whether there is any impairment indication of carrying amount of interest in the Target Company (including net assets together with implicit goodwill) exist and perform the impairment assessments (if necessary) in subsequent reporting periods in accordance with the requirements of HKAS 36. The Directors will also adopt consistent bases and assumptions for impairment assessments for interest in the Target Company in the future.

3. The adjustment represents the estimated transaction costs of approximately HK$3,000,000, including but not limited to legal and professional fees, directly attributable to the Acquisition.

4. Save as set out above, the Unaudited Pro Forma consolidated statement of assets and liabilities does not take into account any trading results or other transactions of the Group subsequent to 31 March 2021 and the Target Group subsequent to 30 June 2021, as included in the Unaudited Pro Forma consolidated statement of assets and liabilities.

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2020 and the six months ended 30 June 2021 (the "**Track Record Period**"). The following financial information is based on the audited financial information of the Target Group set forth in the Appendix II of this circular.

BUSINESS REVIEW

福建醫聯康護信息技術有限公司 (Fujian Medical Union Health Care Information Technology Co., Ltd.*) was established in PRC in 2016 with a registered capital of RMB20.8 million. The Target Group is principally engaged in the provision of health and medical services related information technology solutions and smart terminal devices, utilising digitalisation and artificial intelligence technology. Its customers and business partners include but not limited to hospitals, medical institutions, healthcare institutions, universities, medical colleges and financial institutions.

FINANCIAL REVIEW

Revenue

For the years ended 31 December 2018, the Target Group derived its revenue mainly from system integration services. The Target Group's revenue increased significantly by approximately RMB32.1 million or approximately 27.6%, from approximately RMB116.6 million for the year ended 31 December 2018 to approximately RMB148.7 million for the year ended 31 December 2019, primarily due to the increase in number of projects in software solution services and technical services. Revenue decreased by approximately RMB8.0 million or approximately 5.4%, to approximately RMB140.7 million for the year ended 31 December 2020, primarily due to the decrease and delay of projects in system integration services. For the six months ended 30 June 2021, revenue was recorded at approximately RMB55.6 million, representing a increase of approximately 3.1% as compared to approximately RMB53.9 million for the six months ended 30 June 2020, due to the increase in number of projects in software solution services and technical services.

** For identification purpose only*

Cost of sales

The Target Group's cost of sales mainly represented the costs and expenses directly attributable to the raw material, production and implementation. The Target Group's cost of sales increased significantly by approximately RMB8.7 million or approximately 14.2%, from approximately RMB61.1 million for the year ended 31 December 2018 to approximately RMB69.8 million for the year ended 31 December 2019, primarily due to increase in revenue during the period. Cost of sales decreased by approximately RMB3.6 million or approximately 5.1%, to approximately RMB66.2 million for the year ended 31 December 2020, primarily due to decrease in revenue during the period. For the six months ended 30 June 2021, cost of sales amounted to approximately RMB23.7 million, as compared to approximately RMB25.0 million for the six months ended 30 June 2020.

Gross profit and gross profit margin

The Target Group's gross profit increased significantly by approximately RMB23.4 million or approximately 42.3%, from approximately RMB55.5 million for the year ended 31 December 2018 to approximately RMB78.9 million for the year ended 31 December 2019, primarily due to the increase in revenue during the period. Gross profit decreased by approximately RMB4.4 million or approximately 5.6%, to approximately RMB74.5 million for the year ended 31 December 2020, primarily due to the decrease in revenue during the period. For the six months ended 30 June 2021, gross profit was recorded at approximately RMB31.9 million, representing an increase of approximately 10.3% as compared to approximately RMB28.9 million for the six months ended 30 June 2020, due to a higher gross profit margin during the period.

The gross profit margin during the Track Record Period were approximately 47.6%, 53.1%, 52.9% and 57.3% for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 respectively. The increasing gross profit margin during the Track Record Period was mainly attributable to the Target Group's cost control measures adopted to minimize the increase in staff costs.

Administrative and selling expenses

Administrative and selling expenses of the Target Group mainly consisted of staff costs and rental costs. The Target Group's administrative and selling expenses increased significantly by approximately RMB8.2 million or approximately 37.1%, from approximately RMB22.3 million for the year ended 31 December 2018 to approximately RMB30.5 million for the year ended 31 December 2019, primarily due to increase in staff costs. Administrative and selling expenses decreased by approximately RMB1.4 million or approximately 4.7%, to approximately RMB29.1 million for the year ended 31 December 2020, primarily due to decreased revenue during the period. For the six months ended 30 June 2021, administrative and selling expenses were recorded at approximately RMB15.1 million, representing an increase of approximately 47.1% as compared to approximately RMB10.2 million for the six months ended 30 June 2020, due to the increase in depreciation and amortization expenses as well as the increase in staff costs for recruitment of certain senior team members during the period.

Research and development expenses

Research and development expenses of the Target Group mainly comprised staff costs in relation to research and development. The Target Group's research and development expenses decreased by approximately RMB0.5 million or approximately 4.8%, from approximately RMB11.2 million for the year ended 31 December 2018 to approximately RMB10.7 million for the year ended 31 December 2019, primarily due to a portion of research and development costs were instead capitalized during the period. Research and development expenses increased significantly by approximately RMB2.4 million or approximately 22.5%, to approximately RMB13.1 million for the year ended 31 December 2020, primarily due to the increase in research and development staff. For the six months ended 30 June 2021, research and development expenses were recorded at approximately RMB6.5 million, representing an increase of approximately 30.9% as compared to approximately RMB5.0 million for the six months ended 30 June 2020, due to the increase in research and development staff.

Other income

The Target Group's other income mainly represented government subsidies. The Target Group's other income increased significantly by approximately RMB6.1 million or approximately 154.5%, from approximately RMB4.0 million for the year ended 31 December 2018 to approximately RMB10.1 million for the year ended 31 December 2019, primarily due to the delay in dispatch of government subsidies for the 2018 financial year. Other income increased by approximately RMB2.1 million or approximately 21.4%, to approximately RMB12.2 million for the year ended 31 December 2020, primarily due to the delay in dispatch of government subsidies for the 2019 financial year . For the six months ended 30 June 2021, other income was recorded at approximately RMB5.4 million, representing an increase of approximately 125.3% as compared to approximately RMB2.4 million for the six months ended 30 June 2020, due to the delay in dispatch of government subsidies for the previous financial years. Details are set out in note 6 to the audited consolidated financial statements of the Target Group contained in Appendix II to this circular.

Profit/loss for the year or period

The Target Group's profit increased significantly by approximately RMB14.9 million or approximately 56.5%, from approximately RMB26.4 million for the year ended 31 December 2018 to approximately RMB41.3 million for the year ended 31 December 2019, primarily attributable to an income tax credit was recorded during the year ended 31 December 2018 due to tax concession. Profit decreased by approximately RMB0.9 million or approximately 2.4%, to approximately RMB40.4 million for the year ended 31 December 2020, primarily due to decreased revenue during the period. For the six months ended 30 June 2021, profit was recorded at approximately RMB14.6 million, representing an increase of approximately 7.2% as compared to approximately RMB13.6 million for the six months ended 30 June 2020, due to increased revenue during the period.

FINANCIAL POSITION AND OTHER FINANCIAL INFORMATION

Property, plant and equipment

The Target Group's property, plant and equipment during the Track Record Period mainly comprised construction in progress and building. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group's property, plant and equipment amounted to approximately RMB0.9 million, RMB20.7 million, RMB46.1 million and RMB50.4 million respectively. The increase in Target Group's property, plant and equipment during the Track Record Period was primarily attributable to the office premises purchased during the Track Record Period. Details are set out in note 15 to the audited consolidated financial statements of the Target Group contained in Appendix II to this circular.

Contract assets

The Target Group's contract assets during the Track Record Period mainly comprised contracts relating to goods and services delivered or performed before customer's payment, which will be due pursuant to a predetermined condition. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group's contract assets amounted to approximately RMB34.3 million, RMB36.1 million, RMB36.9 million and RMB34.4 million respectively. The increase in Target Group's contract assets was primarily attributable to increase in sales revenue. Details are set out in note 21 to the audited consolidated financial statements of the Target Group contained in Appendix II to this circular.

Trade and other receivables

The Target Group's trade and other receivables during the Track Record Period mainly comprised trade receivables from customers. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group's trade and other receivables amounted to approximately RMB17.0 million, RMB30.3 million, RMB42.0 million and RMB59.7 million respectively. The increase in Target Group's trade and other receivables was primarily attributable to increase in revenue during the respective periods. Details are set out in note 20 to the audited consolidated financial statements of the Target Group contained in Appendix II to this circular.

Trade and other payables

The Target Group's trade and other payables during the Track Record Period mainly comprised trade payables to suppliers. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group's trade and other payables amounted to approximately RMB53.9 million, RMB71.9 million, RMB82.8 million and RMB68.7 million respectively. The increase in Target Group's trade and other payables during the years ended 31 December 2018, 2019 and 2020 were primarily attributable to increase in revenue and therefore purchases from suppliers, as well as the lengthened credit periods granted by suppliers during the respective periods. While the relatively lower trade and other payables as at 30 June 2021 was due to seasonality. Details are set out in note 23 to the audited consolidated financial statements of the Target Group contained in Appendix II to this circular.

Capital structure, liquidity and gearing

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the net assets of the Target Group were RMB60.7 million, RMB93.1 million, RMB135.4 million and RMB146.8 million, respectively; the net current assets were RMB55.3 million, RMB62.3 million, RMB63.7 million and RMB68.2 million, respectively; and the net cash and bank balances were RMB60.5 million, RMB74.8 million, RMB69.6 million and RMB26.9 million, respectively. The Target Group's gearing ratios (calculated by dividing total debts by total capital) as at 31 December 2018, 2019 and 2020 and 30 June 2021 were N/A, 9.5%, 5.0% and 4.0%. The gearing ratio of the Target Group fluctuated during the Track Record Period mainly due to a mortgage loan for purchasing office premises during the Track Record Period. The interest rate profile of the Target Group's borrowings are set out in note 25 to the audited consolidated financial statements of the Target Group contained in Appendix II to this circular.

Significant investment, material acquisition and disposals

The Target Group did not have any significant investments or carried out any material acquisition and disposal during Track Record Period.

Future plans for material investments and acquisition of capital assets

The Target Group has no future plans for material investments and acquisition of material capital assets as at 30 June 2021.

Pledge of assets

As at 30 June 2021, apart from building with carrying amount of approximately RMB35.1 million, the Target Group did not pledge any of its assets.

Foreign exchange risks

During the Track Record Period, the principal activities of the Target Group were conducted in the PRC and its income and expenses were denominated in RMB. In light of this, the Target Group was not exposed to material risks in relation to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign currency risks.

Employee and remuneration policy

Compensation for employees of the Target Group is made with reference to the market as well as individual performance and contributions. The Target Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group had approximately 205, 225, 263 and 265 employees respectively. The total staff costs of the Target Group were approximately RMB25.0 million, RMB32.5 million, RMB35.7 million and RMB17.4 million for the three years ended 31 December 2020 and the six months ended 30 June 2021 respectively.

Charges on assets and Contingent liabilities

As at 31 December 2018, 2019, 2020 and 30 June 2021, the Target Group did not have any charges on assets, contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Target Group.

The following is the text of a report received from Roma Appraisals Limited, for the purpose of incorporation in this circular.

ROMA

22/F, China Overseas Building,
139 Hennessy Road,
Wan Chai, Hong Kong

26 October 2021

China Smartpay Group Holdings Limited
23/F, Connaught Marina
48 Connaught Road West
Sheung Wan
Hong Kong

Case Ref: AKYU/BV6901/JUL21

Dear Sir/Madam,

Re: Business Valuation on 35% equity interests in Fujian Medical Union Health Care Information Technology Co., Ltd.

In accordance with the instructions from China Smartpay Group Holdings Limited (hereinafter referred to as the "**Company**") to us to conduct a business valuation on 35% equity interests in Fujian Medical Union Health Care Information Technology Co., Ltd.* (福建醫聯康護信息技術有限公司) and its subsidiaries (hereinafter referred to as the "**Target Group**") , we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the market value of 35% equity interests in the Target Group as at 30 June 2021 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic overview, industry overview, overview of the Target Group, basis of valuation, investigation, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Target Group and/or their representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. ECONOMIC OVERVIEW

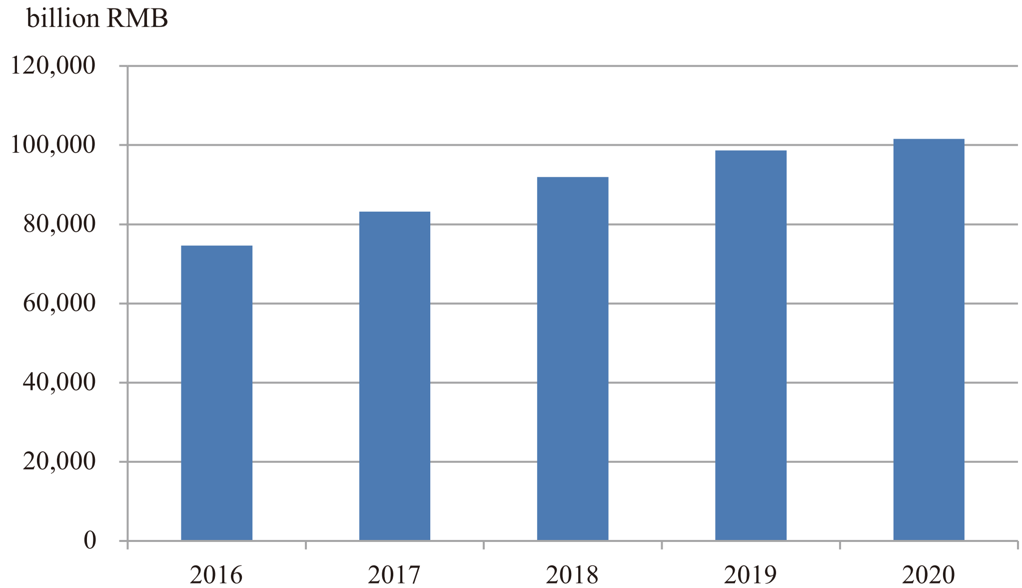
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("**GDP**") of China in 2020 was RMB101,599 billion, a year-over-year nominal increase of 2.99% compared to 2019. China was the largest economy in the world, in terms of nominal GDP measured by the International Monetary Fund ("**IMF**") in 2020. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2016 to 2020, compound annual growth rate of China's nominal GDP was 8.01%. An upward trend of China's nominal GDP was observed from 2016 to 2020. Figure 1 illustrates the nominal GDP of China from 2016 to 2020.

Figure 1 — China's Nominal GDP from 2016 to 2020

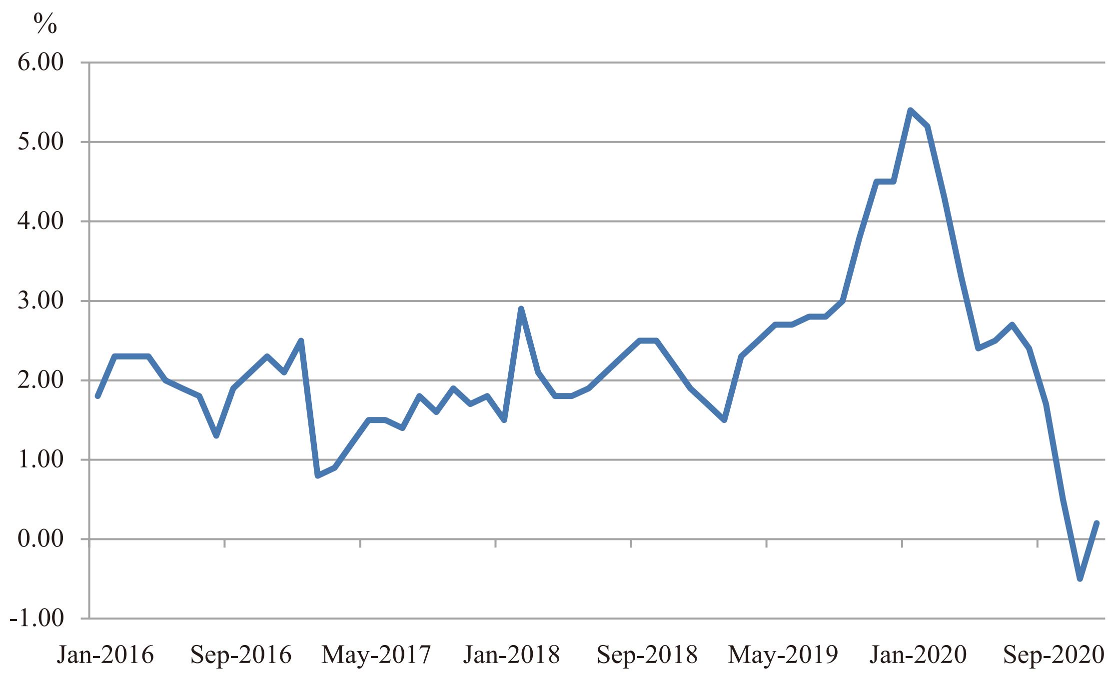


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index ("CPI") demonstrated an uptrend in the first half of 2011. During first half of 2015, the year-over-year change in CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0% in second half of 2015. In 2016, the year-over-year change in CPI dropped from 2.3% in January to 1.3% in August, but rose in the later months and arrived at 2.1% in December. In 2017, the year-over-year change in CPI dropped from 2.5% in January to 0.8% in February and increased to 1.8% in December. In 2018, the year-over-year change in CPI reached its peak at 2.9% in February but fluctuated around 1.8% to 2.1% in the middle of the year, it then rose again to 2.5% in September and fell back to 1.9% in December. In 2019, the year-over-year change in CPI increased from 1.7% in January to 4.5% in December. In 2020, the year-over-year change in CPI start out high at 5.4% in January, yet it significantly decreased down to 0.2% in December. Figure 2 shows the year-over-year change in CPI of China from January 2016 to December 2020.

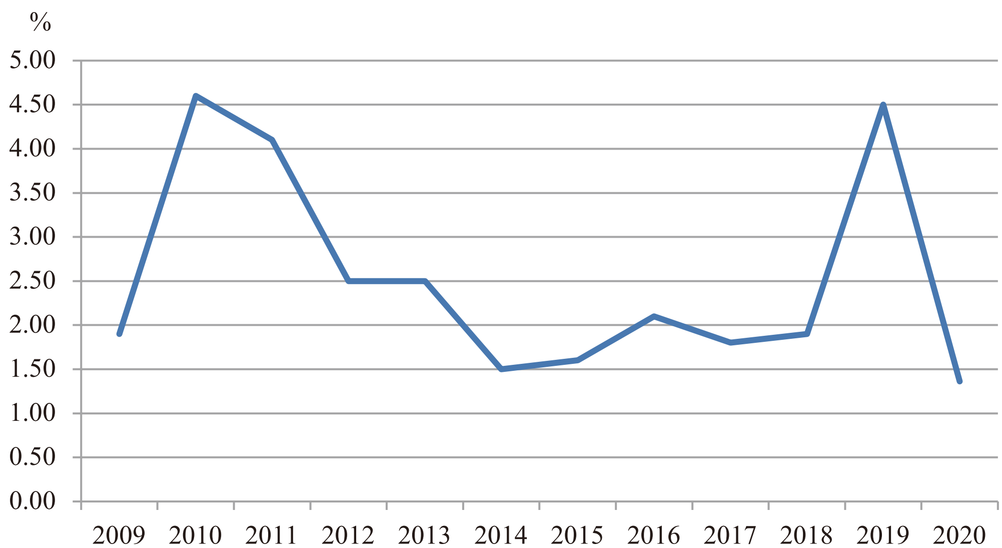
Figure 2 — Year-over-year Change in China's CPI from January 2016 to December 2020



Source: Bloomberg

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.5% in 2014. The inflation rate has been fluctuating in recent years. It started to climb in 2015 and 2016 from 1.6% to 2.1%, then decreased in 2017 to 1.8%, eventually rose again to 1.9% in 2018. In 2019, the inflation rate increased to 4.5%. The yearly inflation rate in China's is 1.36% in 2020. According to IMF's forecast, the long-term inflation rate of China is expected to be around 2.6%. Figure 3 shows the historical trend of China's inflation rate from 2009 to 2020.

Figure 3 — China's Inflation Rate from 2009 to 2020



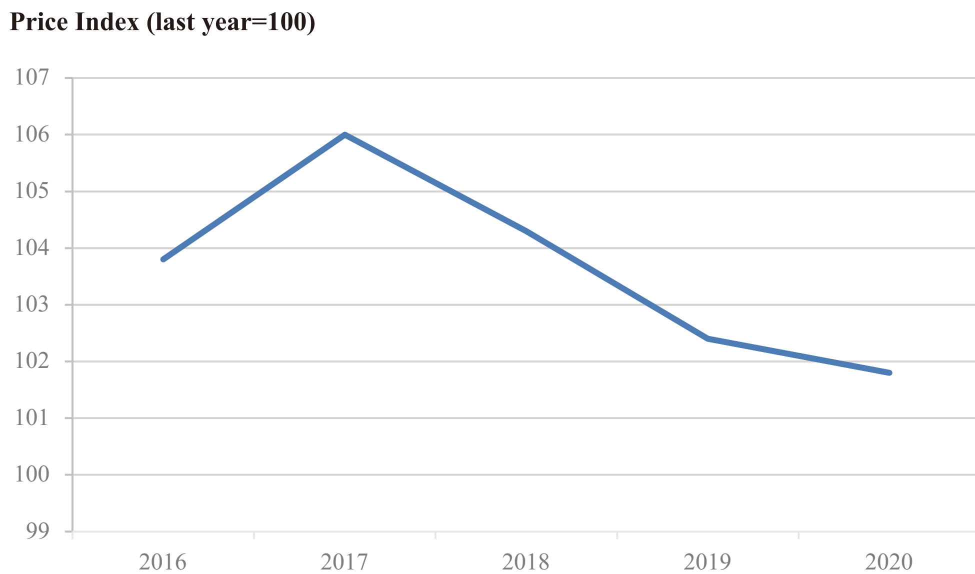
Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1 Overview of Healthcare Industry in China

According to Statista, national medical expenditure in China in 2019 reached over RMB 6.58 trillion, making it the second largest healthcare market in the world, with CAGR of 11.2% since 2016. The price level of the healthcare related services was also in an increasing trend, the below figure shows the price level of the Healthcare related consumer price Index in China from 2016 to 2020, the price level for the previous 5 years were all over 100, showing the price level of the healthcare services were increasing over these years.

Figure 4 — Healthcare related Consumer Price Index in China from 2016 to 2020



Source: National Bureau of Statistics in China

Over the past ten years, most hospitals in China have already introduced infrastructures to assist in basic data gathering, storage and processing. However, advanced data analysis and application has not yet been fully implemented.

4.2 Overview of Healthcare Big Data Solution Industry in China

The Chinese government recognizes the implementation of big data solutions into healthcare creates strategic value and is vital to the development of the country. As such, its importance is evident in the "Healthy China 2030" initiative published by the State Council of the People's Republic of China. The initiative emphasizes the importance of applying big data to smart hospitals, innovation in healthcare to improve accessibility and quality of healthcare to its general public and the advancement of clinical research.

The Chinese government has also introduced a number of initiatives and guidelines to facilitate and encourage the development of big data solutions in healthcare. These initiatives include but are not limited to:

- 《關於促進和規範健康醫療大數據應用發展的指導意見》introduced in 2016 by the General Office of the State Council
- 《新一代人工智能發展規劃》introduced in 2017 by the State Council
- 《國家健康醫療大數據標準、安全和服務管理辦法(試行)》introduced in 2018 by the National Health Commission

Policies under these initiatives aim to:

- Improve the veracity of the data collected. This allows for easier and more accurate analysis and therefore increase production of clinical research and the improvement of disease management methods;
- Accelerate the construction of advanced infrastructure, for example 5G network and big data platforms. This allows for establishing a foundation for the advancement of big data and implementation to different industries; and
- Encourage clinical and biotechnological research. Big data and artificial intelligence is showing great promise as to modelling complex systems, such as the human body and could pave the way for the next generation of medical research.

5. OVERVIEW OF THE TARGET GROUP

The Target Group is a company established in the People's Republic of China with limited liability and is principally engaged in the provision of health and medical services related information technology solutions and smart terminal devices, utilizing digitalization and artificial intelligence technology. Its customers and business partners include but not limited to hospitals, medical institutions, healthcare institutions, universities, medical colleges, and financial institutions.

6. BASIS OF VALUATION

Our valuation is conducted on market value basis defined as follows. According to the International Valuation Standards established by the International Valuation Standards Council in 2020, **Market Value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Target Group. In addition, we have made relevant inquiries and obtained further information as we considered necessary for the purpose of the valuation.

We have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. We have also consulted other sources of financial and business information. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

The valuation of the Target Group requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Target Group;
- The financial condition of the Target Group;
- Relevant licenses and agreements;
- The business risks of the Target Group such as the ability in maintaining competent technical and professional personnel; and
- Investment returns of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are three generally accepted approaches to obtain the market value of the Target Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these 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.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). Under the Asset-Based Approach, the market value of equity of a business entity/group refers to the market values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

8.4 Business Valuation

In the process of valuing the Target Group, we have taken into account their operations and the nature of the industries of the Target Group. The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Target Group and therefore it could not reflect the market value of the Target Group. The Market-Based Approach required fewer subjective assumptions and could reflect market participants' view on the Target Group and is one of the commonly adopted approaches for valuation of companies. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of the Target Group.

8.4.1 Market Multiples

By adopting the guideline public company method under the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-book ("**P/B**"), price-to-earnings ("**P/E**") and price-to-sales ("**P/S**") multiples. The operation of the Target Group and similar companies do not heavily depend on their assets hence the price-to-book multiples were not adopted. The price-to-sales multiples were not adopted because they could not fully capture the cost structure of the Target Group. Therefore, we have adopted the price-to-earnings ("**P/E**") multiple as we considered it as the most appropriate multiple in calculating the market value of the Target Group.

Given that the Target Group engaged in the provision of health and medical services related information technology solutions and smart terminal devices, we have searched for comparable companies in Bloomberg and adopted several listed companies with business scopes and operations similar to those of the Target Group as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in health and medical services related information technology solutions business;
- The companies are profit-making in the trailing 12-month period prior to the Date of Valuation;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

Details of the comparable companies were listed as follows:

Company Name	Stock Code	Listing Location	Business Description	Market Capitalisation *(In RMB million)*	Net Profit for last 12 months *(RMB million)*
BIT Computer Co., Ltd.	032850.KS	Korea	BIT Computer Co., Ltd., a system information company, develops, distributes, and consults hospital-use medical information systems. The company's products include hospital management, medical image archiving, and patient information management systems. The company also provides information technology education as well as Internet services.	996.58	34.085
Suzhou MedicalSystem Technology Co., Ltd.	603990.CH	China	Suzhou MedicalSystem Technology Co., Ltd. operates in the healthcare information industry. The company designs and markets clinical informatic systems and digital hospital solutions. The company serves customers throughout China.	4,172.99	59.584

Company Name	Stock Code	Listing Location	Business Description	Market Capitalisation *(In RMB million)*	Net Profit for last 12 months *(RMB million)*
CE Holdings Co Ltd	4320.JP	Japan	CE Holdings Co Ltd develops and sells packaged medical information software for hospital uses. The company also develops software upon clients' request. The company sells system equipment and provides consulting services.	470.25	25.701
Heren Health Co., Ltd.	300550.CH	China	Heren Health Co., Ltd. provides digital medical information systems. The company designs, produces, and clinical management information system and digital scene applications. The company markets throughout China.	3,749.69	55.579
Carelabs Co., Ltd	263700.KS	Korea	Carelabs Co., Ltd provides healthcare information technology services. The company offers clinic information, clinic customer management software, and digital marketing solutions. The company offers services throughout South Korea.	1,008.71	21.199

Company Name	Stock Code	Listing Location	Business Description	Market Capitalisation *(In RMB million)*	Net Profit for last 12 months *(RMB million)*
NextGen Healthcare, Inc.	NXGN.US	United States	NextGen Healthcare, Inc. develops and markets healthcare information systems. The company's systems automate medical group practices, physical hospitals, management service organizations, community health centers, and dental schools. The company offers its services throughout the United States.	7,180.71	87.36
Computer Programs and Systems, Inc.	CPSI.US	United States	Computer Programs and Systems, Inc. provides healthcare IT solutions and services. The company designs, develops, markets, installs, and supports computerized information technology systems to hospitals, as well as offers software and hardware products. The company serves clients in the United States.	3,160.41	123.724

Company Name	Stock Code	Listing Location	Business Description	Market Capitalisation	Net Profit for last 12 months
				(In RMB million)	*(RMB million)*
GPI S.p.A.	GPI.IM	Italy	GPI S.p.A. designs solution for health and social assistance sectors. The company offers services such as healthcare call and contact center solutions, pharmaceutical supplies, home automation, home care assistance, and integrated information systems. The company operates worldwide.	1,685.91	93.57

Source: Bloomberg

The P/E multiples of the aforementioned comparable companies as at the Date of Valuation were listed as follows:

Company Name	Stock Code	P/E Multiple
BIT Computer Co., Ltd.	032850.KS	24.53
Suzhou MedicalSystem Technology Co., Ltd.	603990.CH	68.81
CE Holdings Co Ltd	4320.JP	19.28
Heren Health Co., Ltd.	300550.CH	50.16
Carelabs Co., Ltd	263700.KS	28.45
NextGen Healthcare, Inc.	NXGN.US	29.99
Computer Programs and Systems, Inc.	CPSI.US	21.27
GPI S.p.A.	GPI.IM	18.42
	Median:	**26.49**

Source: Bloomberg

The P/E multiple adopted was the median of the P/E multiples of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. As there is wide range of P/E multiple, the median can avoid the effect of outliers. The median multiple was applied to the trailing 12-month net profit of the Target Group as at the Date of Valuation to arrive at the market value of the Target Group before the adjustment of investment, non-operating assets/liabilities and marketability discount. The market value of the Target Group before marketability discount was arrived by adjusting with investment, net non-operating liabilities and marketability discount.

The below table illustrates the valuation result of the Target Group.

	RMB
Net profit of the Target Group	24,789,000
Multiplied by: Price-to-Earning Multiple	x26.49
Market Value of the Target Group before Marketability Discount (in Minority Basis)	656,697,748
Add: Investment	13,434,000
Add: Net non-operating assets	5,644,000
Market Value of the Target Group before Marketability Discount	675,775,748
Marketability Discount	x(1 - 20.60%)
Market Value of 100% Equity Interests in the Target Group	536,565,944
Equity Interest of the Target Group to be acquired	x35.00%
Market Value of 35% Equity Interests in the Target Group	187,798,080
Market Value of 35% Equity Interests in the Target Group (Rounded)	187,798,000

8.4.2 Marketability Discount

As compared to the interest held in public companies, interest held in private companies is not readily marketable. Therefore, the value of a share in a private company is usually lower than an otherwise comparable share in a public company. With reference to the result of the restricted stock study published in "Stout Restricted Stock Study" by Stout Risius Ross, LLC in June 2021, a discount for lack of marketability of 20.60% was adopted in arriving at the market value of the Target Group as at the Date of Valuation.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- As discussed with the Management of the Target Group, the Target Group invested (i) RMB9,800,000 to acquire 49% equity interest in Xiamen Medical Union Kanghu Worker Group Co., Ltd* (厦門醫聯康護護工集團有限公司) on 14 January 2020, which has not yet commenced operation since its establishment on 14 January 2020); and (ii) RMB3,600,000 to acquire 29.19% equity interest in Xiamen Kanghu Online Technology Co., Ltd* (厦門康護在綫科技有限公司); As no further information was available regarding the investment in the aforementioned companies, the aforesaid initial investment costs were added to the equity value of the Target Group;

- As discussed with the management of the Target Group, other receivables of RMB6,491,702, other current assets of RMB574,534 and long-term prepaid expenses of RMB613,811 as at 30 June 2021 were non-operating assets, other payables of RMB3,778,978 and non-current liabilities due within one year of RMB5,800,000 as at 30 June 2021 were non-operating liabilities. The net non-operating liabilities of the Target Group were added to the equity value of the Target Group as it was not reflected in the earnings of the Target Group;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operate or intend to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industries in which the Target Group operates, and the Target Group will retain competent Management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Target Group operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operate or intend to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and

- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Target Group. The factors considered included, but were not necessarily limited to the following:

- Independent Accountant's Report of the Target Group as at 30 June 2021;
- Auditor's Reports of the Target Group as at 31 December 2018, 31 December 2019 and 31 December 2020 respectively issued by 中審眾環會計師事務所 (特殊有限合伙);
- Business nature of the Target Group; and
- General descriptions in relation to the Target Group.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background and business nature of the Target Group provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Target Group was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the Target Group.

We have not investigated the title to or any legal liabilities of the Target Group and have assumed no responsibility for the title to the Target Group appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Group, their associate companies, subsidiaries or the values reported herein.

13. OPINION OF VALUE

Based on the investigation stated above and the valuation methods employed, the market value of 35% equity interests in the Target Group as at the Date of Valuation, in our opinion, was reasonably stated as **RMB187,798,000 (RENMINBI ONE HUNDRED EIGHTY SEVEN MILLION SEVEN HUNDRED AND NINETY EIGHT THOUSAND ONLY).**

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		***HK$***
10,000,000,000	Shares of HK$0.01 each	100,000,000.00
Issued and fully paid or credited as fully paid:		***HK$***
2,367,618,693	Shares of HK$0.01 each	23,676,186.93

Immediately after allotment and issue of all of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement up to the completion of the issue of the last tranche of Consideration Shares and that there is no downward adjustment of the number of Consideration Shares to be allotted and issued), the authorised and issued share capital of the Company will be as follows:

Authorised:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000.00
Issued and fully paid or credited as fully paid:		*HK$*
2,367,618,693	Shares of HK$0.01 each	23,676,186.93
903,979,914	Consideration Shares to be allotted and issued	9,039,799.14
3,271,598,607	Shares	32,715,986.07

All Shares currently in issue and the Consideration Shares rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

3. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Lin Xiaofeng ("**Mr. Lin**")	Beneficial owner *(Note 1)*	8,000,000	0.33%
Mr. Song Xiangping ("**Mr. Song**")	Beneficial owner *(Note 2)*	19,000,000	0.80%
Mr. Wu Hao ("**Mr. Wu**")	Beneficial owner *(Note 3)*	19,000,000	0.80%

Notes:

1. These Shares represent the underlying Shares under the 8,000,000 share options granted to Mr. Lin pursuant to the Company's share option scheme which was adopted by the Company on 13 May 2021 (the "**Share Option Scheme**"). Accordingly, pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of the share options granted thereunder.

2. These Shares represent the underlying Shares under the share options granted to Mr. Song pursuant to the Share Option Scheme. Accordingly, pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of the share options granted thereunder.

3. These Shares represent the underlying Shares under the share options granted to Mr. Wu pursuant to the Share Option Scheme. Accordingly, pursuant to Part XV of the SFO, he is taken to be interested in those underlying Shares that he is entitled to subscribe for upon and subject to the exercise of the share options granted thereunder.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executives of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' and other persons' interests and short positions in Shares and underlying Shares discloseable under the SFO

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in Shares

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Zhang Chang ("**Mr. Zhang**")	Interest in controlled corporation *(Note 1)*	437,230,000	18.47%
	Beneficial owner *(Note 1)*	93,090,000	3.93%
Sino Starlet Limited ("**Sino Starlet**")	Beneficial owner *(Note 1)*	437,230,000	18.47%
Vered Capital Limited ("**Vered Capital**")	Person having a security interest in shares *(Note 2)*	260,090,000	10.99%

Notes:

1. 437,230,000 Shares were held by Sino Starlet, which is wholly owned by Mr. Zhang. As Mr. Zhang is the controlling shareholder of Sino Starlet, he is deemed to be interested in these 437,230,000 Shares held by Sino Starlet pursuant to Part XV of the SFO.

2. On 27 July 2018, Vered Capital acquired the security interests of 170,000,000 Shares from Sino Starlet and 90,090,000 Shares from Mr. Zhang, respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person (other than the Directors or the chief executives of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

4. INTERESTS IN ASSETS

Save as Mr. Zhang Xi, an executive Director and the chairman of the Board, being interested in approximately 16.21% of the equity interest in YLZ Information Technology, one of the shareholders of the Target Company, at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting which is significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates had any business or interest which competes or may compete, either directly or indirectly, with the business of the Group, or has or may have any other conflict of interest with the Group pursuant to the GEM Listing Rules.

7. 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 does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

8. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Group) were entered into by members of the Group within two years immediately preceding the date of this circular and are or may be material:

(a) the share purchase agreements (the "**2019 Shares Purchase Agreements**") both dated 29 October 2019 entered into among Oriental Payment Group Holdings Limited ("**OPG**"), an indirect non-wholly owned subsidiary of the Company, as purchaser and each of Ms. Jiang Zhengyan ("**Ms. Jiang**") and Mr. Tham Kar Wai Derrick (Tan Jiawei Derrick) ("**Mr. Tham**") as vendor in relation to the acquisition of an aggregate of 33% of the entire issued share capital of Alldebit Pte. Ltd. for a total consideration of HK$2,200,000;

(b) the side letters dated 31 December 2019 to the 2019 Shares Purchase Agreements entered into among OPG and each of Ms. Jiang and Mr. Tham in relation to the extension of the respective long stop date under the 2019 Shares Purchase Agreements to 15 February 2020 or such other date as the parties thereto may mutually agree in writing;

(c) the side letters dated 14 February 2020 to the 2019 Shares Purchase Agreements entered into among OPG and each of Ms. Jiang and Mr. Tham in relation to the further extension of the respective long stop date under the share purchase agreements to 28 February 2020 or such other date as the parties thereto may mutually agree in writing and variation of certain terms of the 2019 Shares Purchase Agreements;

(d) the sale and purchase agreements all dated 17 December 2019 entered into between Open Union Payment Services Limited* (開聯通支付服務有限公司) ("**Open Union**"), an indirect wholly-owned subsidiary of the Company, and Mr. Zhen Lianhai ("**Mr. Zhen**"), pursuant to which Open Union agreed to sell, and Mr. Zhen agreed to acquire, three office apartments all located at Beijing, the PRC, for a total consideration of RMB20,500,000;

(e) the placing agreement dated 13 January 2020 (the "**Placing Agreement**") entered into between Charm Act Group Limited ("**Charm Act**") and Gayang Securities Limited, pursuant to which Charm Act agreed to place through Gayang Securities Limited up to 200,000,000 OPG Shares to not less than six placees at the revised placing price of HK$0.07 per placing share on a best effort basis;

(f) the side letter dated 23 January 2020 to the Placing Agreement in relation to amendment to the placing price under the Placing Agreement from HK$0.086 per placing share to HK$0.07 per placing share;

(g) the letters of consent dated 26 February 2020 from each of the relevant subscribers to the 9% fixed rate senior secured bonds in the aggregate principal amount of US$48,000,000 issued by the Company in 2016 (the "**Bonds**"), namely, (i) AI Global Investment SPC acting on behalf of and for the account of AI Investment Fund S.P., (ii) Honour Grace Investments Limited and (iii) Sun Create Richly Holdings (Asia) Limited to, among others, further extend the maturity date of the Bonds from 1 February 2020 to 1 August 2020;

(h) the conditional sale and purchase agreement (the "**2020 Sale and Purchase Agreement**") dated 13 March 2020 entered into among the Company, Geerong (HK) Limited ("**Geerong**") and Oak Bay International Limited ("**Oak Bay**"), pursuant to which the Company conditionally agreed to sell and Geerong and Oak Bay conditionally agreed to buy 35% and 40% of the total issued share capital of Keen Best Investments Limited ("**Keen Best**"), respectively, at a consideration of HK$105,000,000 and HK$120,000,000, respectively;

(i) the supplemental agreement dated 8 May 2020 to the 2020 Sale and Purchase Agreement entered into among the Company, Geerong and Oak Bay, regarding, among others, execution of the shareholders' agreement upon completion of the disposal of 35% and 40% of the total issued share capital of Keen Best by the Company to Geerong and Oak Bay;

(j) the first side letter dated 30 June 2020 to the 2020 Sale and Purchase Agreement among the Company, Geerong and Oak Bay, in relation to the extension of the long stop date under the 2020 Sale and Purchase Agreement to 31 August 2020 or such other date as the parties thereto may agree in writing;

(k) the second side letter dated 31 August 2020 to the 2020 Sale and Purchase Agreement among the Company, Geerong and Oak Bay, in relation to the further extension of the long stop date under the 2020 Sale and Purchase Agreement to 30 September 2020 or such other date as the parties thereto may agree in writing;

(l) the placing agreement dated 10 June 2020 entered into between OPG and SBI China Capital Financial Services Limited ("**SBI**"), pursuant to which OPG conditionally agreed to place, through SBI, on a best effort basis, convertible bonds in an aggregate principal amount of up to HK$11,850,000 to not less than six placees at the initial conversion price of HK$0.15 per OPG share;

(m) the share swap agreement (the "**Share Swap Agreement**") dated 8 September 2020 entered into between OPG and China New Economy Fund Limited ("**CNE**"), pursuant to which OPG shall subscribe for, and CNE shall allot and issue to OPG 86,000,000 shares of CNE, representing approximately 14.33% of the then existing issued share capital of CNE, whereas CNE shall subscribe for, and OPG shall allot and issue to CNE 200,000,000 shares of OPG, representing approximately 20% of the then existing issued share capital of OPG;

(n) the deed of termination dated 27 November 2020 entered into between OPG and CNE in relation to the termination of the Share Swap Agreement;

(o) the placing agreement dated 15 December 2020 entered into between the Company and Venus Sky Investment Limited ("**VSIL**"), pursuant to which the Company agreed to place through VSIL up to 328,837,738 placing shares to not less than six placees at the placing price of HK$0.16 per placing share on a best effort basis;

(p) the placing agreement (the "**2021 Placing Agreement**") dated 21 May 2021 entered into between the Company and SBI, pursuant to which the Company agreed to place through SBI up to 394,603,738 placing shares to not less than six placees at the placing price of HK$0.18 per placing share on a best effort basis;

(q) the side letter dated 11 June 2021 to the 2021 Placing Agreement a entered into between the Company and SBI, in relation to the extension of the placing period and the long stop date of the 2021 Placing Agreement from 11 June 2021 to 23 June 2021;

(r) the placing agreement (the "**Second 2021 Placing Agreement**") dated 9 July 2021 entered into between OPG and SBI, pursuant to which OPG agreed to place through SBI up to 100,000,000 placing shares to not less than six placees at the placing price of HK$0.07 per placing share on a best effort basis;

(s) the first side letter dated 23 July 2021 to the Second 2021 Placing Agreement entered into between the Company and SBI, in relation to the extension of the placing period and the long stop date of the Second 2021 Placing Agreement from 23 July 2021 to 6 August 2021 and revising the placing price from HK$0.07 to HK$0.072 per placing share;

(t) the second side letter dated 6 August 2021 to the Second 2021 Placing Agreement entered into between the Company and SBI, in relation to the further extension of the placing period and the long stop date of the Second 2021 Placing Agreement from 6 August 2021 to 26 August 2021;

(u) the strategic cooperation framework agreement dated 30 August 2021 entered into between Open Union Payment Services Limited* (開聯通支付服務有限公司), an indirect wholly-owned subsidiary of the Company, and the Shanghai Branch of Bank of Communications Co., Ltd. in relation to, among others, the establishment of a long term strategic cooperation relationship for developing all-around financial business cooperation as permitted by the national policies as well as laws, rules and regulations; and

(v) the Sale and Purchase Agreement.

10. EXPERTS AND CONSENTS

The following are the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
Roma Appraisals Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the above experts had any interest, either direct or indirect, in any assets which have been, since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group nor had any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. 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 (http://www.chinasmartpay.com) from the date of this circular up to and including the date of EGM (both days inclusive):

(a) the accountants' report on the Target Group from Mazars CPA Limited, the text of which is set out in Appendix II to this circular;

(b) the report on the unaudited pro forma financial information of the Group issued by Mazars CPA Limited set out in Appendix III to this circular;

(c) the valuation report on the Target Group, the text of which is set out in Appendix V to this circular;

(d) the consent letters referred to in the paragraph under the heading "Experts and Consents" in this appendix; and

(e) the Sale and Purchase Agreement.

12. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is 23/F, Connaught Marina, 48 Connaught Road West, Sheung Wan, Hong Kong.

(c) the Hong Kong share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(d) The compliance officers of the Company are Dr. Yuan Shumin ("**Dr. Yuan**") and Mr. Lin Xiaofeng ("**Mr. Lin**"). Dr. Yuan was a member of the Chinese Institute of Certified Public Accountants. He obtained a doctorate degree in Science (part-time doctorate program) in the School of Management from Fudan University in January 1998. Mr. Lin graduated from The University of Southern Queensland with a master's degree in business administration in September 2007.

(e) The joint company secretaries of the Company are Mr. Tang Wai Leung ("**Mr. Tang**") and Mr. Shiu Shu Ming ("**Mr. Shiu**"). Mr. Tang holds a bachelor's degree of Bachelor of Arts (Hons) in Accounting from the Hong Kong Polytechnic University. Mr. Shiu obtained a bachelor's degree in accountancy from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in 1993. Both Mr. Tang and Mr. Shiu are members of Hong Kong Institute of Certified Public Accountants.

(f) The audit committee of the Board ("**Audit Committee**") comprises of three independent non-executive Directors, namely, Dr. Yuan (Chairman), Mr. Wang Yimin and Mr. Lu Dongcheng, who are independent non-executive Directors. Set out below are their background and directorships (present and past) of other companies listed on GEM, the main board of the Stock Exchange or other stock exchanges:

a. Dr. Yuan, aged 70, was appointed as an independent non-executive director of the Company in May 2014. Dr. Yuan is the Company's compliance officer, the chairman of the Company's audit committee, remuneration committee and internal control committee, and a member of the Company's nomination committee and compliance committee. Dr. Yuan was a member of the Chinese Institute of Certified Public Accountants. He obtained a doctorate degree in science (part-time doctorate program) in the School of Management from Fudan University in January 1998. Dr. Yuan was the supervisor of teaching department, the assistant supervisor and the assistant dean of the School of Accountancy in Shanghai University of Finance and Economics from 1993 to 2000; and the standing assistant dean of the School of Adult Education in Shanghai University of Finance and Economics from 2000 to 2005. Dr. Yuan has joined the School of Accountancy in Shanghai Finance University since September 2005 and had been the president of that School of Accountancy until 2013. From April 2014 to February 2019, he was a chief accountant of Sanda University. Since March 2019 to present, he acts as a professor at Sanda University. From June 2007, he acts as an independent non-executive director of Shanghai Jiaoda Withub Information Industrial Company Limited, a company which shares are listed on GEM (stock code: 8205HK).

b. Mr. Wang Yiming ("**Mr. Wang**"), aged 54, was appointed as an independent non-executive director of the Company in August 2013. Mr. Wang is a member of the Company's audit committee, remuneration committee, nomination committee, internal control committee and compliance committee. Mr. Wang holds a bachelor's degree in electronic and a master's degree in business administration from Shanghai Jiao Tong University. He was appointed as an executive director of Shanghai Jiaoda Withub Information Industrial Company Limited, a company listed on GEM, in September 2004. Mr. Wang had resigned as the chief executive officer and the executive director of Shanghai Jiaoda Withub Information Industrial Company Limited in June 2014. He is currently the general manager of Shanghai Shenguang Technology Development Ltd* (上海滄馬企業管理有限公司)).

c. Mr. Lu Dongcheng ("**Mr. Lu**"), aged 54, was appointed as an independent non-executive director of the Company in August 2013. Mr. Lu is the chairman of the Company's nomination committee and a member of the Company's audit committee, remuneration committee, nomination committee, internal control committee and compliance committee. Mr. Lu holds a master's degree of Business Administration from Yale University and a Doctor degree from Peking Medical University which has merged with Peking University. He was the partner of Infinity Group (Peking) Venture Capital Management Co., Ltd. during June 2008 to April 2011 and the chief executive officer of AnPing Capital Management Limited during May 2011 to April 2012. Mr. Lu is currently the chief executive officer of Suzhou Mountain View Equity Investment Management Co., Ltd. and the supervising partner of Mountain View Capital PE Funds. In May 2015, Mr. Lu was appointed as the managing partner of Beijing Zhongshan Medical Health Fund* (北京重山遠志醫療健康基金).

(g) the English text of this circular and the accompanying form of proxy shall prevail over this respective Chinese test in the case of inconsistency.

China Smartpay Group Holdings Limited
中國支付通集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8325)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of China Smartpay Group Holdings Limited (中國支付通集團控股有限公司) (the "**Company**") will be held at 23/F, Connaught Marina, 48 Connaught Road West, Sheung Wan, Hong Kong on Friday, 19 November 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as ordinary resolution:

ORDINARY RESOLUTION

1. "THAT:

(a) the conditional sale and purchase agreement dated 15 August 2021 (the "**Sale and Purchase Agreement**") entered into among the Company as the purchaser, Mr. Lu Linming and Xi'an Jurui Real Estate Co., Ltd.* (西安聚瑞置業有限公司) as the vendors and Mr. Chen Xi as the guarantor, in relation to the acquisition of 35% equity interest in Fujian Medical Union Health Care Information Technology Co., Ltd.* (福建醫聯康護信息技術有限公司) by the Company at a consideration of RMB150,500,000, which shall be satisfied by the allotment and issue of 903,979,914 consideration shares (the "**Consideration Shares**") by the Company to the Vendors upon and subject to the terms and conditions as set out therein (a copy of which has been produced to the EGM marked "A" and initialed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and/or ratified (as the case may be);

(b) the grant of a specific mandate (the "**Specific Mandate**") to the directors of the Company (the "**Directors**") to allot and issue the Consideration Shares to the Vendors upon and subject to the terms and conditions of the Sale and Purchase Agreement be and is hereby approved, the Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

(c) any one Director (if execution under the common seal of the Company is required, any two Directors) be and is (are) hereby authorised for and on behalf of the Company to sign and execute, and when required, to affix the common seal of the Company, to deliver any documents, instruments or agreements and to do all such acts and things and to take all such steps which, in the opinion of such Director, may be necessary, desirable or expedient to implement and/or give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder and to agree to such variations, amendments, additions or waivers of matters relating thereto as such Director deems appropriate."

By Order of the Board
China Smartpay Group Holdings Limited
Zhang Xi
Chairman

Hong Kong, 26 October 2021

Head Office and Principal Place of Business in Hong Kong:
23/F, Connaught Marina
48 Connaught Road West
Sheung Wan, Hong Kong

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Island

Notes:

1. A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy(ies) (if he/she/it is the holder of two or more Shares) to attend and to vote on a poll instead of him/her/it at the EGM and the appointment shall specify the number of Shares in respect of which such proxy is so appointed. On a poll, votes may be given either personally (or in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she was solely entitled thereto; but if more than one of such joint holders are present at the EGM personally or by proxy, the vote of the person so present whose name stands first on the register of members of the Company in respect of the joint holding shall be accepted to the exclusion of the votes of the other joint registered holders.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be lodged with the Company's Hong Kong share registrar and transfer office (the "**Share Registrar**"), Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).

4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if such shareholder of the Company so wishes and, in such event, the form of proxy shall be deemed to be revoked.

5. The resolution set out in this notice of EGM will be put to shareholders of the Company to vote taken by way of a poll (except where the chairman decides to allow a resolution relating to a purely procedural or administrative matter to be voted on by a show of hands) pursuant to the GEM Listing Rules.

6. If Typhoon Signal No.8 or above, or a "black" rainstorm warning or extreme conditions caused by super typhoons is in effect in Hong Kong at any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company at www. chinasmartpay.com and on the GEM website at www.hkgem.com to notify its shareholders of the date, time and venue of the rescheduled meeting.

7. For determining the entitlement to attend and vote at the EGM, the record date will be Monday, 15 November 2021. In order to be eligible to attend and vote at the EGM, all unregistered holders of shares of the Company shall ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 15 November 2021.

As at the date of this notice, the board of Directors comprises four executive Directors, namely, Mr. Zhang Xi, Mr. Wu Hao, Mr. Lin Xiaofeng and Mr. Song Xiangping; and three independent non-executive Directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.

This notice, for which all the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 notice 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 notice misleading. This notice will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.chinasmartpay.com.

** For identification purpose only*

PRECAUTIONARY MEASURES AT THE EGM

In view of the recent developments of the Novel Coronavirus (COVID-19) pandemic, and taking into consideration the guidelines issued by the Government of Hong Kong, the Company will implement the following preventive measures at the EGM to protect attending shareholders of the Company ("**Shareholder(s)**") from the risk of infection:

— Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue.

— Every Shareholder or proxy is required to wear medical face mask throughout the EGM.

— No refreshment will be served. Any person who does not comply with the precautionary measures may be denied entry into the EGM venue.

The Company wishes to remind all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights.

Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.