Unaudited Pro Forma Financial Information of the Post Acquisition Group

mazars
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42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

Tel 電話 : +852 2909 5555
Fax 傳真 : +852 2810 0032
www.mazars.hk

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

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.

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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.