

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Introduction

The following is a summary of the illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (the "Unaudited Pro Forma Financial Information") of Enlarged Group (being the Group together with the Target Company) as if the proposed acquisition of the Target Company (the "Acquisition") had been completed on (i) 31 December 2022 in respect of the unaudited pro forma statement of financial position of the Enlarged Group; and (ii) 1 January 2022 in respect of the unaudited pro forma statement of profit or loss and other comprehensive income and the unaudited pro forma statement of cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the actual results of financial position, operations or cash flows of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future results of financial position, operations or cash flows.

The unaudited pro forma financial information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2022 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2022 as extracted from the published annual report of the Company for the year ended 31 December 2022; (ii) the audited statement of financial position of the Target Company as at 30 April 2023, the statement of profit or loss and other comprehensive income and the statement of cash flows of the Target Company for the year ended 31 December 2022 as extracted from the accountants' reports set out in Appendix II to this circular; and (iii) after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2022, and that of the Target Company, as set out in this circular and the accountants' report on the Target Company set out in Appendix II to this circular.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP (continued)

(ii) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 31 December 2022 <i>RMB'000</i> <i>(note 1)</i>	The Target Company as at 30 April 2023 <i>RMB'000</i> <i>(note 2)</i>	Unaudited Pro Forma Adjustments					Unaudited Pro Forma of Enlarged Group <i>RMB'000</i>
			<i>RMB'000</i> <i>(note 3)</i>	<i>RMB'000</i> <i>(note 4)</i>	<i>RMB'000</i> <i>(note 5)</i>	<i>RMB'000</i> <i>(note 6)</i>	<i>RMB'000</i> <i>(note 7)</i>	
NON-CURRENT ASSETS								
Property, plant and equipment	3,603	161,703				1,196	166,502	
Right-of-use assets	2,484	-					2,484	
Investment in subsidiary	-	-	95,000			(95,000)	-	
Deferred tax assets	1,300	-					1,300	
Total non-current assets	7,387	161,703					170,286	
CURRENT ASSETS								
Properties under development	-	113,866		(72)		1,257	115,051	
Trade receivables	82,206	-					82,206	
Prepayments, other receivables and other assets	10,841	5,520					16,361	
Contract assets	23,074	-					23,074	
Restricted and pledged bank deposits	100	-					100	
Cash and cash equivalents	467,723	17				(902)	466,838	
Total current assets	583,944	119,403					703,630	
CURRENT LIABILITIES								
Trade payables	41,750	23,360					65,110	
Other payables and accruals	60,609	20,044	95,000		145,155		320,808	
Contract liabilities	66,853	-					66,853	
Amount due to the immediate holding company	-	145,155			(145,155)		-	
Lease liabilities	1,216	-					1,216	
Provisions	1,688	-					1,688	
Tax payable	956	-					956	
Total current liabilities	173,072	188,559					456,631	
NON-CURRENT LIABILITIES								
Lease liabilities	2,142	-					2,142	
Provisions	2,030	-					2,030	
Deferred tax liabilities	590	-					590	
Total non-current liabilities	4,762	-					4,762	
Net assets	413,497	92,547					412,523	
EQUITY								
Equity attributable to owners of the Company								
Share capital	3,572	100,000				(100,000)	3,572	
Reserves	409,902	(7,453)		(72)		(902) 7,453	408,928	
Non-controlling interests	23	-					23	
Total equity	413,497	92,547					412,523	

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP (continued)

(iii) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group

	The Group for the year ended 31 December 2022 RMB'000 (note 1)	The Target Company for the year ended 31 December 2022 RMB'000 (note 2)	Unaudited Pro Forma Adjustments RMB'000 (note 6)	Unaudited Pro Forma of Enlarged Group RMB'000
REVENUE	321,069	-		321,069
Cost of sales	<u>(221,387)</u>	<u>-</u>		<u>(221,387)</u>
Gross profit	99,682	-		99,682
Other income, other gains and losses, net	2,916	1		2,917
Sales and marketing expenses	(1,250)	-		(1,250)
Administrative expenses	(35,496)	(1,505)	(902)	(37,903)
Impairment losses on financial and contract assets	(732)	-		(732)
Finance costs	<u>(134)</u>	<u>-</u>		<u>(134)</u>
PROFIT/(LOSS) BEFORE TAX	64,986	(1,504)	(902)	62,580
Income tax expense	<u>(17,788)</u>	<u>-</u>		<u>(17,788)</u>
PROFIT/(LOSS) FOR THE YEAR	<u>47,198</u>	<u>(1,504)</u>	(902)	<u>44,792</u>
Attributable to:				
Owners of the parent	47,175	(1,504)	(902)	44,769
Non-controlling interests	<u>23</u>	<u>-</u>		<u>23</u>
	<u>47,198</u>	<u>(1,504)</u>	(902)	<u>44,792</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Currency translation differences	<u>3,971</u>	<u>-</u>		<u>3,971</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	<u>3,971</u>	<u>-</u>		<u>3,971</u>
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	<u>51,169</u>	<u>(1,504)</u>	(902)	<u>48,763</u>
Attributable to:				
Owners of the parent	51,146	(1,504)	(902)	48,740
Non-controlling interests	<u>23</u>	<u>-</u>		<u>23</u>
	<u>51,169</u>	<u>(1,504)</u>	(902)	<u>48,763</u>

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP (continued)**(iv) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group**

	The Group for the year ended 31 December 2022 <i>RMB'000</i> <i>(note 1)</i>	The Target Company for the year ended 31 December 2022 <i>RMB'000</i> <i>(note 2)</i>	Unaudited Pro Forma Adjustments		Unaudited Pro forma of Enlarged Group <i>RMB'000</i>
			<i>RMB'000</i> <i>(note 5)</i>	<i>RMB'000</i> <i>(note 6)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	64,986	(1,504)		(902)	62,580
Adjustments for:					
Depreciation of property, plant and equipment	1,064	43			1,107
Depreciation of right-of-use assets	355	-			355
Finance costs	134	-			134
Interest income	(2,539)	-			(2,539)
Exchange loss	4,267	-			4,267
Impairment losses on trade receivables and contract assets	732	-			732
	<u>68,999</u>	<u>(1,461)</u>		(902)	<u>66,636</u>
Increase in trade receivables	(42,716)	-			(42,716)
Increase in contract assets	(1,132)	-			(1,132)
Increase in properties under development	-	(29,490)			(29,490)
Decrease/(increase) in prepayments, other receivables and other assets	3,949	(3,312)			637
Increase in trade payables	19,244	22,254			41,498
Increase/(decrease) in other payables and accruals	6,802	(10)			6,792
Decrease in contract liabilities	(7,187)	-			(7,187)
	<u>47,959</u>	<u>(12,019)</u>		(902)	<u>35,038</u>
Income tax paid	(18,568)	-			(18,568)
Net cash flows from/(used in) operating activities	<u>29,391</u>	<u>(12,019)</u>		(902)	<u>16,470</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(2,994)	(5,562)			(8,556)
Decrease in pledged deposits	50,000	-			50,000
Investment deposit paid to a third party	(370,000)	-			(370,000)
Collection of investment deposits from a third party	370,000	-			370,000
Net cash flows from/(used in) investing activities	<u>47,006</u>	<u>(5,562)</u>			<u>41,444</u>

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP (continued)

(iv) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group (continued)

	The Group for the year ended 31 December 2022 <i>RMB'000</i> <i>(note 1)</i>	The Target Company for the year ended 31 December 2022 <i>RMB'000</i> <i>(note 2)</i>	Unaudited Pro Forma Adjustments		Unaudited Pro forma of Enlarged Group <i>RMB'000</i>
			<i>RMB'000</i> <i>(note 5)</i>	<i>RMB'000</i> <i>(note 6)</i>	
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	(8,180)	-			(8,180)
Advance from the immediate holding company	-	17,408	(17,408)		-
Advance from a related party	-	-	17,408		17,408
Net cash flows (used in)/from financing activities	<u>(8,180)</u>	<u>17,408</u>	-		<u>9,228</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
	68,217	(173)		(902)	67,142
Cash and cash equivalents at beginning of year	399,132	175			399,307
Effect of foreign exchange rate changes, net	<u>374</u>	<u>-</u>			<u>374</u>
Cash and cash equivalents at end of year	<u>467,723</u>	<u>2</u>		(902)	<u>466,823</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents	<u>467,723</u>	<u>2</u>		(902)	<u>466,823</u>

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP (continued)

(v) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

- (1) The amounts were extracted from the Company's published annual report for the year ended 31 December 2022.
- (2) The amounts were extracted from Appendix II to this circular.
- (3) On 5 July 2023, the Company entered into the Agreement with the Vendor, pursuant to which the Company agreed to acquire the entire issued share capital of the Target Company from the Vendor at an aggregate consideration of RMB95,000,000. The pro forma adjustment represents the aggregate consideration amounting to RMB95,000,000 for the acquisition of the Target Company. All conditions precedent set out in the Agreement assumed have not been paid as at 28 September 2023.
- (4) All intra-group balances within the Enlarged Group are eliminated on consolidated as if the Acquisition was completed on 31 December 2022.
- (5) The pro forma adjustment represents the reclassification of the Enlarged Group account balances to conform to the presentation of the Company.
- (6) For the purpose of the preparation of the Pro Forma Financial Information of the Enlarged Group, the total transaction costs of legal, accountancy and other professional services to the Acquisition are estimated to be RMB902,000.
- (7) The pro forma adjustment represents the allocation of aggregated consideration of RMB95,000,000 to the assets and liabilities acquired at the Acquisition as if the Acquisition was completed on 31 December 2022. The Acquisition is mainly to acquire a project in progress through acquisition of the entire issued share capital of the Target Company, therefore it does not meet the definition of a business acquisition and should be accounted for as an asset deal.

For the purpose of preparing the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group, the pro forma fair values of the identifiable assets and liabilities of the Target Company as at 30 April 2023 were assumed to be the same as their carrying amounts as at 30 April 2023 except that the acquired property, plant and equipment and properties under development were with fair values of RMB162,300,000 and RMB114,700,000, respectively, which were with reference to an independent valuation report performed by APAC Asset Valuation and Consulting Limited as at 28 September 2023.

- (8) Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 31 December 2022 for the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.



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

To the Directors of Xingye Wulian Service Group Co. Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xingye Wulian Service Group Co. Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Henan Zheng Zhi Yue Real Estate Co., Ltd (the "Target Company") (the Group together with the Target Company are collectively referred to as the "Enlarged Group"), by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022 and related notes as set out in Section A of Appendix IV to the circulate dated 28 September 2023 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information") in connection with the acquisition of the entire issued share capital of the Target Company by the Company (the "Acquisition"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact on the Group's financial position as at 31 December 2022 and on the Group's financial performance and cash flows for the year ended 31 December 2022 as if the transaction had taken place at 31 December 2022 and 1 January 2022 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2022, on which an independent auditor's report has been published, and the information about the Target Company's financial position, financial performance and cash flows has been extracted by the Directors from the Target Company's financial statements for each of the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 on which an accountants' report has been published in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

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

Our independence and quality control

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

Our firm applies Hong Kong Standard on Quality Management 1 Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or 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 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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

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

The purpose of the Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if 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 transaction 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 transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.



Certified Public Accountants
Hong Kong
28 September 2023