

Ref : P530s-24 (Pro Forma)

Pak Tak International Limited
百德國際有限公司

Unaudited pro forma financial information

A. INTRODUCTION

The following unaudited pro forma financial information of the Company and its subsidiaries (collectively referred to as the “Group”) and the Target Group (collectively referred to as the “Enlarged Group”) (the “Unaudited Pro Forma Financial Information”) is prepared by the directors of the Company (the “Directors”), in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of illustrating the effect of the proposed acquisition of entire issued share capital of the Target Company, at the consideration of RMB289,860,000, which shall be satisfied as to by the allotment and issue of the Consideration Shares by the Company (the “Acquisition”).

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 2023, which has been extracted from the published annual report of the Group for the year ended 31 December 2023; and the audited statement of financial position of the Target Group as at 31 December 2023, which has been extracted from the accountants’ report thereon set out in Appendix II of the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable, as if the Acquisition had been completed on 31 December 2023.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the financial position of the Enlarged Group that would have been attained had the transaction been completed on 31 December 2023, nor purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the annual report of the Company for the year ended 31 December 2023 and other financial information included elsewhere in this Circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2023

	The Group as at 31 December 2023 HKD'000	The Target Group as at 31 December 2023 HKD'000	Total HKD'000	Pro forma adjustment		Enlarged Group as at 31 December 2023 HKD'000
	Note (1)	Note (2)		Note (3)	Note (4)	
Non-current assets						
Property, plant and equipment	15,711	584,793	600,504			600,504
Right-of-use assets	20,381	104,330	124,711			124,711
Investment properties	279,418	-	279,418			279,418
Intangible assets	889	9,888	10,777			10,777
Goodwill	-	-	-	40,190		40,190
Deferred tax assets	8,080	5,205	13,285			13,285
Financial assets at fair value through other comprehensive income	1,478	-	1,478			1,478
	<u>325,957</u>	<u>704,216</u>	<u>1,030,173</u>	<u>40,190</u>		<u>1,070,363</u>
Current assets						
Inventories	1,769	53,579	55,348			55,348
Trade, bills and other receivables	535,095	74,240	609,335			609,335
Financial assets at fair value through profit or loss	57	-	57			57
Tax recoverable	-	10,063	10,063			10,063
Restricted cash		5,559	5,559			5,559
Cash and cash equivalents	85,362	694	86,056		(4,598)	81,458
	<u>622,283</u>	<u>144,135</u>	<u>766,418</u>		<u>(4,598)</u>	<u>761,820</u>
Current liabilities						
Trade and other payables	70,856	120,156	191,012			191,012
Other payables and accrued charges	76,442	-	76,442			76,442
Contract liabilities	11,422	-	11,422			11,422
Borrowings	337,901	180,873	518,774			518,774
Lease liabilities	2,023	-	2,023			2,023
Tax payable	26	-	26			26
	<u>498,670</u>	<u>301,029</u>	<u>799,699</u>			<u>799,699</u>
Net current assets/(liabilities)	<u>123,613</u>	<u>(156,894)</u>	<u>(33,281)</u>		<u>(4,598)</u>	<u>(37,879)</u>
Total assets less current liabilities	<u>449,570</u>	<u>547,322</u>	<u>996,892</u>	<u>40,190</u>	<u>(4,598)</u>	<u>1,032,484</u>
Non-current liabilities						
Borrowings	29,407	241,164	270,571			270,571
Provision for rehabilitation	-	27,148	27,148			27,148
Lease liabilities	12,241	-	12,241			12,241
Deferred tax liabilities	40,668	-	40,668			40,668
	<u>82,316</u>	<u>268,312</u>	<u>350,628</u>			<u>350,628</u>
NET ASSETS	<u>367,254</u>	<u>279,010</u>	<u>646,264</u>	<u>40,190</u>	<u>(4,598)</u>	<u>681,856</u>

Notes to the Unaudited Pro Forma Financial Information:

- (1) The balances were extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023 as set out in the published annual report of the Company for the year ended 31 December 2023.
- (2) The balances were extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2023 as set out in Appendix II to the Circular. The exchange rate (RMB/HKD: 1.0962) used was made reference to the exchange rate table issued by the Hong Kong Monetary Authority, which the published annual report of the Company for the year ended 31 December 2023 has used the same exchange rate.
- (3) Pursuant to the Agreement dated 29 February 2024, the Vendor conditionally agreed to sell and the Company conditionally agreed to acquire the Sale Share (representing the entire issued share capital of the Target Company) in accordance with the terms and conditions of the Agreement, at the consideration of RMB289,860,000, which shall be satisfied as by the allotment and issue of the Consideration Shares at the Issue Price of HKD0.336 per Consideration Share (equivalent to the total amount of HKD319,200,000) by the Company. The completion of the Acquisition is subject to the conditions as set out in the section of "Letter from the Board" to the Circular (the "Conditions").

For the purpose of preparation of the Unaudited Pro Forma Financial Information, it is assumed that (i) the Target Group has fulfilled the Conditions to the Acquisition and the Acquisition will not be reversed; (ii) the pro forma fair values of the identifiable assets and liabilities of the Target Group approximate their carrying amounts as at 31 December 2023.

The Acquisition will be accounted for under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standards 3 (Revised) "Business Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

The recognition of pro forma goodwill from the Acquisition as if the Acquisition were completed on 31 December 2023 are as follows:

	HKD'000
Consideration satisfied by Consideration Shares	319,200
Net asset value of the Target Group	<u>(279,010)</u>
Goodwill	<u>40,190</u>

- (4) For the purpose of the Unaudited Pro Forma Financial Information, the direct expenses and other professional services related to the Acquisition are estimated to be approximately HKD4,598,000. This adjustment will not have continuing effect on the Enlarged Group.
- (5) Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2023.
- (6) Subsequent to 31 December 2023, the directors of the Target Group or its subsidiaries have not recommended any dividend.

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

TO THE DIRECTORS OF PAK TAK INTERNATIONAL LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Pak Tak International Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information ("Unaudited Pro Forma Financial Information") consists of the unaudited pro forma consolidated statement of assets and liabilities attributable to equity holders as at 31 December 2023 and related notes as set out in Part B of Appendix IV to the circular dated 28 June 2024 (the "Circular") issued by the Company in connection with the acquisition of the entire issued share capital of Zhongchuan Investment Group Co., Limited, a company incorporated in the British Virgin Islands with limited liability (the "Target Company") pursuant to the sale and purchase agreement dated 29 February 2024 (the "Acquisition"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix IV 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 assets and liabilities attributable to equity holders of the Company as at 31 December 2023 as if the Acquisition had taken place on 31 December 2023. As part of this process, information about the Group's consolidated financial position as at 31 December 2023 has been extracted by the Directors from consolidated financial statements of the Group for the year ended 31 December 2023 as set out in the published annual report.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Management

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 behaviours.

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" issued by the HKICPA, 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 Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition 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 Acquisition at 31 December 2023 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.

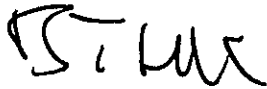
We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 4.29(1) of the Listing Rules.

Baker Tilly Hong Kong Limited
Certified Public Accountants



Leung Yun Wa
Practising Certificate Number: P08096

Hong Kong, 28 June 2024