

Hing Lee (HK) Holdings Limited
興利 (香港) 控股有限公司

Unaudited pro forma financial information

The information set out in this Appendix does not form part of the Accountants' Report issued by Baker Tilly Hong Kong Limited, the Company's reporting accountants, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial information of the Group" set out in Appendix I.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(1) Introduction

Capitalised terms used herein shall have the same meanings as those defined in this circular.

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect that the Disposal might have on the financial information of the Group.

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2023 as extracted from the published annual report for the year ended 31 December 2023 ("**2023 Annual Report**") dated 22 March 2024, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Disposal on the financial position of the Remaining Group as if the completion of the Disposal had taken place on 31 December 2023.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2023 as extracted from the 2023 Annual Report, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Disposal on the financial performance and cash flows, respectively, of the Remaining Group as if the completion of the Disposal had taken place on 1 January 2023.

The unaudited pro forma financial information of the Remaining Group has been prepared by the Directors in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules for illustrative purposes only, based on their judgements, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the completion of the Disposal been completed as at 31 December 2023 or at any future dates and of the financial performance and cash flows of the Remaining Group for the year ended 31 December 2023 or any future periods had the Disposal been completed on 1 January 2023 or at any future dates.

The unaudited pro forma financial information should be read in conjunction with the published 2023 Annual Report, the Company's announcement dated 13 June 2024 and other financial information included elsewhere in this circular.

(2) **Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group as at 31 December 2023**

	The Group as at 31 December 2023					Unaudited pro forma of the Remaining Group HK\$'000
	Pro forma adjustments					
	Note (a) HK\$'000	Note (b) HK\$'000	Note (d) HK\$'000	Note (e) HK\$'000	Note (h) HK\$'000	
Non-current assets						
Property, plant and equipment	75,448	-	-	(73,545)	-	1,903
Right-of-use assets	22,127	-	-	(16,762)	-	5,365
	<u>97,575</u>	<u>-</u>	<u>-</u>	<u>(90,307)</u>	<u>-</u>	<u>7,268</u>
Current assets						
Inventories	4,099	-	-	-	-	4,099
Trade and other receivables	47,086	-	1,645	(20,053)	-	28,678
Cash and cash equivalents	33,510	60,700	-	(9,984)	(60,688)	23,538
	<u>84,695</u>	<u>60,700</u>	<u>1,645</u>	<u>(30,037)</u>	<u>(60,688)</u>	<u>56,315</u>
Current liabilities						
Trade and other payables	14,805	-	38,766	(44,231)	-	9,340
Bank loans	53,828	-	-	(53,828)	-	-
Lease liabilities	3,987	-	-	-	-	3,987
	<u>72,620</u>	<u>-</u>	<u>38,766</u>	<u>(98,059)</u>	<u>-</u>	<u>13,327</u>
Net current assets	<u>12,075</u>	<u>60,700</u>	<u>(37,121)</u>	<u>68,022</u>	<u>(60,688)</u>	<u>42,988</u>
Total assets less current liabilities	<u>109,650</u>	<u>60,700</u>	<u>(37,121)</u>	<u>(22,285)</u>	<u>(60,688)</u>	<u>50,256</u>
Non-current liabilities						
Lease liabilities	2,286	-	-	-	-	2,286
Provision for long service payments	191	-	-	-	-	191
	<u>2,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,477</u>
NET ASSETS	<u>107,173</u>	<u>60,700</u>	<u>(37,121)</u>	<u>(22,285)</u>	<u>(60,688)</u>	<u>47,779</u>
CAPITAL AND RESERVES						
Share capital	8,081	-	-	-	-	8,081
Reserves	99,092	60,700	(37,121)	(22,285)	(60,688)	39,698
TOTAL EQUITY	<u>107,173</u>	<u>60,700</u>	<u>(37,121)</u>	<u>(22,285)</u>	<u>(60,688)</u>	<u>47,779</u>

(3) Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Remaining Group for the year ended 31 December 2023

	The Group for the year ended 31 December 2023				Unaudited pro forma of the Remaining Group HK\$'000
	Note (a) HK\$'000	Pro forma adjustments			
		Note (g) HK\$'000	Note (i) HK\$'000	Note (j) HK\$'000	
Revenue	94,213	511	(27,418)	-	67,306
Cost of sales	(71,808)	(511)	16,242	-	(56,077)
Gross profit	22,405	-	(11,176)	-	11,229
Gain on the Disposal	-	-	-	4,075	4,075
Other net income	548	3,279	(784)	-	3,043
Selling and distribution expenses	(7,665)	-	3,531	-	(4,134)
Administrative expenses	(22,354)	(3,279)	11,526	-	(14,107)
(Loss)/profit from operations	(7,066)	-	3,097	4,075	106
Finance costs	(4,390)	-	3,898	-	(492)
Loss before taxation	(11,456)	-	6,995	4,075	(386)
Income tax expense	-	-	-	-	-
Loss for the year	(11,456)	-	6,995	4,075	(386)

(4) **Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group for the year ended 31 December 2023**

	The Group for the year ended 31 December 2023			Unaudited pro forma of the Remaining Group
	Note (a) HK\$'000	Pro forma adjustments		
		Note (i) HK\$'000	Note (j) HK\$'000	
Loss for the year	(11,456)	6,995	4,075	(386)
Other comprehensive loss for the year	Items that may be reclassified subsequently to profit or loss			
- Exchange differences on translations of financial statements of overseas subsidiaries, net of nil tax	(102)	(71)	-	(173)
- Exchange reserve reclassified to profit or loss upon the Disposal, net of nil tax	-	-	(9,705)	(9,705)
Other comprehensive loss for the year	<u>(102)</u>	<u>(71)</u>	<u>(9,705)</u>	<u>(9,878)</u>
Total comprehensive loss for the year	<u>(11,558)</u>	<u>6,924</u>	<u>(5,630)</u>	<u>(10,264)</u>

(5) **Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group for the year ended 31 December 2023**

	The Group for the year ended 31 December 2023					Unaudited pro forma of the Remaining Group HK\$'000
	Note (a) HK\$'000	Pro forma adjustments				
		Note (i) HK\$'000	Note (j) HK\$'000	Note (g) HK\$'000	Note (h) HK\$'000	
Operating activities						
Loss before taxation	(11,456)	6,995	4,075	-	-	(386)
Adjustments for:						
- Depreciation of property, plant and equipment	2,983	(2,190)	-	-	-	793
- Depreciation of right-of-use assets	3,983	(561)	-	-	-	3,422
- Gain on the Disposal	-	-	(4,075)	-	-	(4,075)
- Reversal of write-down of inventories	(70)	-	-	-	-	(70)
- Impairment loss on property, plant and equipment	1,956	(1,956)	-	-	-	-
- Impairment loss on right-of- use assets	446	(446)	-	-	-	-
- Impairment loss on trade receivables	1,954	(460)	-	-	-	1,494
- Impairment loss on other deposits and receivables	1,050	-	-	-	-	1,050
- Interest expense	4,390	(3,898)	-	-	-	492
- Interest income	(927)	7	-	-	-	(920)
- Provision for long service payments	191	-	-	-	-	191
- Loss on disposal of property, plant and equipment, net	705	(678)	-	-	-	27
- Write off of trade payables	(595)	595	-	-	-	-
- Effect of foreign exchange rate changes, net	703	(98)	-	-	-	605
Operating profit before changes in working capital	5,313	(2,690)	-	-	-	2,623
Decrease in inventories	1,278	-	-	-	-	1,278
Decrease/(increase) in trade and other receivables	19,131	(20,177)	-	(2,768)	-	(3,814)
Decrease in trade and other payables	(6,881)	(827)	-	2,768	-	(4,940)
Cash generated from/(used in) operations	18,841	(23,694)	-	-	-	(4,853)
Interest received	927	(7)	-	-	-	920
Interest paid	(3,898)	3,898	-	-	-	-
Net cash generated from/(used in) operating activities	15,870	(19,803)	-	-	-	(3,933)

(5) **Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group for the year ended 31 December 2023 (Continued)**

	The Group for the year ended 31 December 2023					Unaudited pro forma of the Remaining Group HK\$'000
	Note (a) HK\$'000	Pro forma adjustments				
		Note (i) HK\$'000	Note (j) HK\$'000	Note (g) HK\$'000	Note (h) HK\$'000	
Investing activities						
Purchase of property, plant and equipment	(257)	-	-	-	-	(257)
Proceeds from disposal of property, plant and equipment	34	(34)	-	-	-	-
Proceeds from the Disposal	-	-	54,418	-	-	54,418
Net cash (used in)/generated from investing activities	(223)	(34)	54,418	-	-	54,161
Financing activities						
Proceeds from new bank loans	5,517	(5,517)	-	-	-	-
Repayment of bank loans	(21,562)	21,562	-	-	-	-
Dividend paid	-	-	-	-	(60,688)	(60,688)
Capital element of lease rentals paid	(3,589)	-	-	-	-	(3,589)
Interest element of lease rentals paid	(492)	-	-	-	-	(492)
Net cash used in financing activities	(20,126)	16,045	-	-	(60,688)	(64,769)
Net decrease in cash and cash equivalents	(4,479)	(3,792)	54,418	-	(60,688)	(14,541)
Cash and cash equivalents at beginning of the year	38,050	(6,282)	-	-	-	31,768
Effect of foreign exchange rate changes	(61)	90	-	-	-	29
Cash and cash equivalents at end of the year	33,510	(9,984)	54,418	-	(60,688)	17,256

(6) Notes to the Unaudited Pro Forma Financial Information of the Remaining Group

- a. The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023 and the audited consolidated statement of profit or loss, audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows for the year then ended as set out in the published 2023 Annual Report.
- b. The consideration is represented by (i) the cash consideration of HK\$62,000,000 in which the Group expects to receive the consideration within one year; and (ii) directly attributable transaction costs of HK\$1,300,000 expected to be incurred in connection with the Disposal (the “Net Consideration”).

	HK\$'000
Consideration for the Disposal	62,000
Less: Estimated transaction costs	<u>(1,300)</u>
Net Consideration	<u>60,700</u>

The transaction costs represent professional expenses directly attributable to the Disposal which would be recognised in the Remaining Group’s consolidated statement of profit or loss upon completion of the Disposal. The adjustment is not expected to have a continuing effect on the Group.

- c. The consolidated statement of financial position is translated into HK\$ at the approximate exchange rate of RMB1 to HK\$1.10 while the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Target Group are translated into HK\$ at the approximate exchange rate of RMB1 to HK\$1.11, for illustration purpose only and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the disposal of the Target Group had taken place on 31 December 2023.

- d. The adjustment represents (i) the capitalisation of amount due from the Target Group of HK\$37,121,000 and recorded within the Target Group’s equity on 16 April 2024; and (ii) reinstatement of intra group balances of HK\$1,645,000 between the Target Group and the Remaining Group, which have been eliminated at consolidation level.
- e. The adjustment represents the exclusion of carrying amounts of assets and liabilities of the Target Group with the net impact of HK\$22,285,000 as at 31 December 2023, assuming the disposal of the Target Group had taken place on 31 December 2023, which are extracted from the unaudited consolidated statement of financial position of the Target Group as set forth in Appendix II to this circular.

(6) Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (Continued)

- f. These adjustments represent (i) the Net Consideration of HK\$60,700,000 as mentioned in note (b) above and (ii) the estimated gain, together with the estimated net cash inflow, on the Disposal as if the Disposal had taken place on 31 December 2023.

The adjustment represents the estimated net impact of gain on the Disposal as if it had taken place on 31 December 2023, which is calculated as follows:

	HK\$'000
Estimated gain on the Disposal	
Net Consideration for the Disposal (Note (b))	<u>60,700</u>
Less:	
- Derecognition of the net assets of the Target Group as at 31 December 2023*	(22,285)
- Capitalisation of amount due from the Target Group [#]	<u>(37,121)</u>
	1,294
Release if exchange fluctuation reserve of the Target Group*	<u>9,776</u>
Estimated gain on the Disposal as if it had taken place on 31 December 2023	<u>11,070</u>
Estimated net cash inflow on the Disposal	
Net consideration for the Disposal (Note (b))	60,700
Cash and cash equivalents disposed of	<u>(9,984)</u>
Estimated net cash inflow as of it had taken place on 31 December 2023	<u>50,716</u>

* The amounts are extracted from the unaudited financial information of the Target Group as set out in Appendix II to this circular.

[#] The adjustment represents the capitalisation of the amount due from the Target Group amounting to HK\$37,121,000 as mentioned in note (d) above.

Actual gain on the Disposal depends on actual proceeds from the Disposal, actual amount of net assets of the Target Group and actual amount of exchange reserve of the Target Group to be released to profit or loss on the completion date. Therefore, the actual gain on the Disposal shall be different to the amount calculated in the above table.

(6) Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (Continued)

- g. The adjustment represents the reinstatement of related party transactions and intragroup balances between the Target Group and the Remaining Group, which have been eliminated in the consolidated financial statements of the Group for the year ended 31 December 2023, assuming the Disposal had taken place on 1 January 2023.

The related party transactions and intragroup balances between the Target Group and the Remaining Group represent (i) the purchases of trading goods from the Target Group of HK\$511,000; and (ii) management fee charged by the Remaining Group to the Target Group of HK\$3,279,000 in relation to the administration services provided to the Target Group for its daily operations.

- h. The adjustment represents the declaration of a special dividend of HK\$60,688,000 (representing HK\$0.0751 per share) out of the contributed surplus account to shareholders of the Company, subject to (i) the receipt of the sale proceeds upon Completion in which it is also one of the conditions precedent to the Disposal; and (ii) obtaining approval from shareholders of the Company in special general meeting in which the Company transfers HK\$176,627,000 from its share premium account to the accumulated losses account of HK\$108,484,000 and the remaining balance of HK\$68,143,000 will be credited to contributed surplus account to pay the special dividend as mentioned above.

The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the disposal of the Target Group had taken place on 1 January 2023.

- i. The adjustment represents the exclusion of operating results, other comprehensive loss and cash flows of the Target Group for the year ended 31 December 2023, assuming the disposal of the Target Group had taken place on 1 January 2023, which are extracted from the unaudited consolidated statement of profit or loss, the unaudited consolidated statement of profit or loss and other comprehensive income and the unaudited consolidated statement of cash flows of the Target Group as set forth in Appendix II to this circular.

(6) Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (Continued)

- j. These adjustments represent (i) the Net Consideration of HK\$60,700,000 as mentioned in note (b) above and (ii) the estimated gain, together with the estimated net cash inflow, on the Disposal as if the Disposal had taken place on 1 January 2023.

The adjustment represents the estimated net impact of gain on the Disposal as if it had taken place on 1 January 2023, which is calculated as follows:

	HK\$'000
Estimated gain on the Disposal	
Net Consideration for the Disposal (Note (b))	<u>60,700</u>
Less:	
- Derecognition of the net assets of the Target Group as at 1 January 2023*	(29,209)
- Capitalisation of amount due from the Target Group#	<u>(37,121)</u>
	(5,630)
Release of exchange fluctuation reserve of the Target Group*	<u>9,705</u>
Estimated gain on the Disposal as if it had taken place on 1 January 2023	<u><u>4,075</u></u>
Estimated net cash inflow on the Disposal	
Net consideration for the Disposal (Note (b))	60,700
Cash and cash equivalents disposed of	<u>(6,282)</u>
Estimated net cash inflow as of it had taken place on 1 January 2023	<u><u>54,418</u></u>

* The amounts are extracted from the unaudited financial information of the Target Group as set out in Appendix II to this circular.

The adjustment represents the capitalisation of the amount due from the Target Group amounting to HK\$37,121,000 as mentioned in note (d) above.

Actual gain on the Disposal depends on actual proceeds from the Disposal, actual amount of net assets of the Target Group and actual amount of exchange reserve of the Target Group to be released to profit or loss on the completion date. Therefore, the actual gain on the Proposed Disposal shall be different to the amount calculated in the above table.

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

The following is the text of a report received from the reporting accountants of the Company, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Remaining Group.



Independent Reporting Accountants' Assurance Report on the Compilation of Unaudited Pro Forma Financial Information

To the Directors of Hing Lee (HK) Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hing Lee (HK) Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**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 of the Group as at 31 December 2023, the unaudited pro forma consolidated statement of profit or loss, 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 2023 and the related notes set out on pages III-1 to III-9 of the circular dated 26 July 2024 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed disposal of the entire equity interests in Success Profit International Limited and its subsidiaries (the "**Disposal**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in pages III-1 to III-9 of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Disposal on the Group's financial position as at 31 December 2023 as if the Disposal had taken place on 31 December 2023, and the Group's financial performance and cash flows for the year ended 31 December 2023 as if the Disposal had taken place on 1 January 2023. 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 consolidated financial statements for the year ended 31 December 2023, on which an audit report have been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with Rule 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 (the "**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 behavior.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or 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 Rule 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 Rule 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 a significant event or transaction on unadjusted financial information of the Group as if the event or 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 event or transaction would at 31 December 2023 and 1 January 2023 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 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.

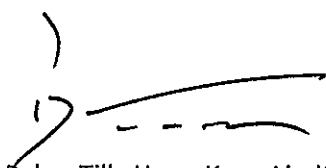
The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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 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 Rule 4.29(1) of the Listing Rules.



Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 26 July 2024

Tong Wai Hang

Practising certificate number P06231