

Our Ref: 5C215/WHKM/LKWW

12 September 2023

PRIVATE & CONFIDENTIAL

The Board of Directors
China Brilliant Global Limited
Flat B, 9/F
9 Des Voeux Road West
Sheung Wan
HONG KONG

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

TO THE BOARD OF DIRECTORS OF CHINA BRILLIANT GLOBAL LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Brilliant Global Limited (the “**Company**”) and its subsidiaries (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 assets and liabilities as at 31 March 2023 and related notes as set out in Appendix IV to the circular dated 12 September 2023 (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 100% equity interests in Shenzhen China Brilliant Property Services Company Limited (the “**Acquisition Company**”) (the “**Acquisition**”) and the proposed disposal of 18.9% equity interest in Brilliant Holdings Limited (the “**Disposal Company**”) and its subsidiaries (together referred to as the “**Disposal Group**”) (the “**Disposal**”) on the Group’s assets and liabilities as at 31 March 2023 as if the Acquisition and the Disposal had taken place as at 31 March 2023. As part of this process, information about the Group’s assets and liabilities as at 31 March 2023 has been extracted by the Directors from the consolidated financial statements of the Company for the year ended 31 March 2023, on which an audit report has 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 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 (“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.

The firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or 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 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 (“HKSAE”) 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 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 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 pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment 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 as at 31 March 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 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 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 paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,



Elite Partners CPA Limited
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is a summary of the illustrative unaudited pro forma consolidated statement of assets and liabilities as at 31 March 2023 of China Brilliant Global Limited (the “**Company**”) and its subsidiaries (together referred to as the “**Group**”) including Shenzhen China Brilliant Property Services Company Limited (the “**Acquisition Company**”) and excluding Brilliant Holdings Limited (the “**Disposal Company**”) and its subsidiaries (together referred to as the “**Disposal Group**”) upon the completion of the proposed acquisition (the “**Acquisition**”) and the proposed disposal (the “**Disposal**”) (hereinafter referred to as the “**Enlarged Group**”) (the “**Unaudited Pro Forma Financial Information**”) which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition and the Disposal (i) as if the Acquisition and the Disposal had been completed on 31 March 2023 for the unaudited pro forma consolidated statement of assets and liabilities.

The Unaudited Pro Forma Financial Information is based on (i) the consolidated statement of financial position of the Group as at 31 March 2023, which has been extracted from the published annual report for the year ended 31 March 2023; (ii) the audited statement of assets and liabilities of the Acquisition Company as at 31 March 2023, which has been extracted from the accountants’ report of the Acquisition Company as set out in Appendix II to the Circular, and (iii) the statement of assets and liabilities of the Disposal Group as at 31 March 2023, which has been extracted from unaudited consolidated financial statements as at 31 March 2023, after making pro forma adjustments as summarised in the accompanying notes that are directly attributable to the Acquisition and the Disposal factually supportable as if the Acquisition and the Disposal had been undertaken as at 31 March 2023.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company 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**”) for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the assets and liabilities of the Enlarged Group had the Acquisition and the Disposal been completed as of the specified dates or any future dates.

The Unaudited Pro Forma Financial Information had been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 March 2023.

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

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	The Group as at 31 March 2023 HK\$ '000 (Note 1)	The Acquisition Company as at 31 March 2023 HK\$ '000 (Note 2)	Sub-total HK\$ '000	Pro forma adjustments HK\$ '000	Notes	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group HK\$ '000
Non-current assets						
Property, plant and equipment	808	687	1,495	(553)	3	942
Right-of-use assets	999	-	999			999
Intangible assets	12,397	998	13,395	(12,397)	3	998
Prepayment	211	-	211	(211)	3	-
Financial assets at fair value through profit or loss	-	-	-	403,958	4	403,958
	<u>14,415</u>	<u>1,685</u>	<u>16,100</u>			<u>406,897</u>
Current assets						
Inventories	16,816	-	16,816			16,816
Trade receivables	4,239	1,320	5,559			5,559
Loan receivables	71,898	-	71,898	(49,200)	3	22,698
Prepayment, deposits and other receivables	11,694	6,888	18,582	(5,655)	3	12,927
Amount due from an associate	4,583	-	4,583			4,583
Prepaid tax	30	-	30			30
Amounts due from related companies	-	15,242	15,242	(12,650)	11	2,592
Amount due from the Disposal Group	-	-	-	59,549	8	
				(1,315)	9	58,234
Cash and cash equivalents	45,089	1,797	46,886	(39,214)	3	
				19,600	6	
				(2,400)	10	24,872
	<u>154,349</u>	<u>25,247</u>	<u>179,596</u>			<u>148,311</u>
Current liabilities						
Trade payables	4	1,382	1,386			1,386
Other payables and accruals	10,216	786	11,002	(4,239)	3	
				(4,285)	5	2,478
Contract liabilities	18,700	-	18,700	(75)	3	18,625
Deposits from customers	31,539	-	31,539	(31,539)	3	-
Lease liabilities	1,032	-	1,032			1,032
Amounts due to related companies	-	6,273	6,273			6,273
Tax payables	-	1,388	1,388			1,388
Loan from a director	-	-	-	19,600	6	
				(1,725)	7	17,875
Amount due to the Disposal Group	-	-	-		16	16
	<u>61,491</u>	<u>9,829</u>	<u>71,320</u>			<u>49,073</u>
Net current assets	<u>92,858</u>	<u>15,418</u>	<u>108,276</u>			<u>99,238</u>
Total assets less current liabilities	<u>107,273</u>	<u>17,103</u>	<u>124,376</u>			<u>506,135</u>
Non-current liabilities						
Lease liabilities	65	-	65			65
Promissory note	58,149	-	58,149	(58,149)	5	-
	<u>58,214</u>	<u>-</u>	<u>58,214</u>			<u>65</u>
Net assets	<u>49,059</u>	<u>17,103</u>	<u>66,162</u>			<u>506,070</u>

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The balances of the Group were extracted from the audited consolidated statement of financial position of the Group as at 31 March 2023 which formed part of the audited annual financial information of the Group for the year ended 31 March 2023, as set out in the Company's published annual report for the year ended 31 March 2023.
2. The amounts are extracted from the accountants' report on the Acquisition Company as set out in Appendix II in the Circular.
3. The exclusion of assets and liabilities of the Disposal Group as if the Disposal had taken place on 31 March 2023 for the unaudited pro forma consolidated statement of assets and liabilities.
4. On 2 June 2023, CBG Financial Services Group Limited (the "**Vendor**"), a wholly-owned subsidiary of the Company, and Mr. Zhang Chunhua ("**Mr. Zhang**"), entered into a disposal agreement (the "**Disposal Agreement**") pursuant to which the Vendor has conditionally agreed to dispose and Mr. Zhang has conditionally agreed to acquire 18.9% of the equity interest in the Disposal Company at the cash consideration of approximately HK\$184,900,000. The consideration will be settled by way of set-off against (i) the consideration of the Acquisition of the Acquisition Company of approximately RMB87,700,000 (equivalent to HK\$100,855,000); (ii) the unsecured promissory note issued to Mr. Zhang with the outstanding principal amounts of US\$10,000,000 (equivalent to HK\$78,000,000) (the "**Promissory Note**") and relevant interest payables due by the Company; and (iii) the remaining balances of the cash consideration will be set-off against loan from Mr. Zhang which advanced by Mr. Zhang on 17 May 2023.

Upon completion of the Disposal, the Disposal Group's ownership interests attributable to the Group will be decreased from 66.7% to 47.8%. Upon completion, the board of directors of the Disposal Company will be increased from 3 directors to 6 directors and 1 out of 6 directors of the Disposal Company will be appointed by the Company.

Upon completion of the Disposal, the Disposal Group is not regarded as associates of the Enlarged Group because after the change of board composition, the Group has less than one-fifth of the voting power of the Disposal Company under arrangement with other shareholders and the Group has no right to appoint more than one sixth in the Disposal Company.

The initial measurement of the estimated fair value with the amounts of approximately HK\$403,958,000 of equity interest in the Disposal Group which classified as financial assets at fair value through profit or loss. These fair values have been arrived on the basis of valuation carried out on 12 September 2023 by International Valuation Limited, an independent qualified professional valuer as if the Disposal had been completed on 31 March 2023.

For the purpose of the Unaudited Pro Forma Financial Information, the assumed fair value of the equity interest in the Disposal Group is estimated to be approximately HK\$403,958,000 which has been arrived by using the discounting the estimated contractual cash flows at pre-tax discount rate of 15%, discount for lack of control of 18.5% and discount for lack of marketability of 20.5%. On the date of completion of the Disposal, the fair value of the equity interest in the Disposal Group will be reassessed and is therefore subject to change.

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

5. The pro forma adjustment represents settlement of the consideration of the Disposal by way of set-off against the Promissory Note and relevant interest payables due by the Company as if the Disposal had been completed on 31 March 2023. The Promissory Note is classified as financial liabilities at fair value through profit or loss upon its initial recognition and subsequently measured at fair value. The fair value of the Promissory Note of approximately HK\$58,149,000 as at 31 March 2023 have been arrived by reference to the valuation performed by International Valuation Limited, an independent qualified external valuer, taking into account yield of maturity rate of 21.73% for the future value of the Promissory Note, i.e. the principal amount of HK\$78,000,000.
6. On 17 May 2023, the Company advanced a loan from Mr. Zhang with the amounts of approximately HK\$19,600,000. The loan is unsecured, interest-bearing at 2.5% per annum and repayable on demand. The pro forma adjustment represents the loan advanced from Mr. Zhang, assuming loan from Mr. Zhang had been completed on 31 March 2023.
7. The pro forma adjustment represents settlement of the consideration of the Disposal by way of partially set-off against loan from Mr. Zhang with the amounts of approximately HK\$1,725,000, assuming the loan from Mr. Zhang and the Disposal had been completed on 31 March 2023.
8. The pro forma adjustment represents the reinstatement of intra-group balances between the Group excluding the Disposal Group upon completion of Disposal, which were eliminated when preparing the consolidated financial statements of the Group as at 31 March 2023.
9. The pro forma adjustment represents recognition of impairment loss on expected credit loss (“ECL”) in respect of amount due from the Disposal Group upon reinstatement of intra-group balances between the Group excluding the Disposal Group as if the Disposal had been completed as at 31 March 2023. The ECL had been recognised based on 12-month ECL.
10. The adjustment represents estimated professional fee and other transaction costs of approximately HK\$2,400,000 paid by the Group in connection with the Acquisition and the Disposal. This adjustment does not have continuing effect on the Enlarged Group.
11. On 30 July 2023, the Acquisition Company declared a dividend of RMB11,000,000 (equivalent to approximately HK\$12,650,000) to its owner of the Acquisition Company, all of which will be settled by offsetting with the amount due from Shenzhen Pengyuan Smart Technology Company Limited as part of conditions precedent to the Acquisition.

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

12. The Company and the Acquisition Company are under the common control of Mr. Zhang (the “**Controlling Shareholder**”) before and after the Acquisition and the control is not transitory. There has been a continuation of risks and benefits to the Controlling Shareholder that exists prior to the Acquisition. Consequently, the Acquisition is considered to be a business combination involving entities under common control. The directors of the Company elect to account for the Acquisition in the Company’s annual financial statements for the year ending 31 March 2024 using the merger accounting principle in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants. As a result, the assets and liabilities of the Acquisition Company will be recorded using the existing book values in the Acquisition Company’s financial statements and will not be revaluated to their respective fair values. Furthermore, no goodwill will arise from the Acquisition.
13. The actual carrying amounts of the assets and liabilities of the Acquisition Company and the Disposal Group, the actual carrying amounts of promissory note and relevant interest payables and the actual carrying amounts of loan from a director and relevant interest payables are subject to change on the date of completion of the Acquisition and the Disposal. Accordingly, the actual assets and liabilities of the Enlarged Group are likely to be different from those illustrated in the Unaudited Pro Forma Financial Information of the Enlarged Group above.
14. No adjustment has been made to reflect any trading results or other transactions of the Group, the Acquisition Company and the Disposal Group entered into subsequent to 31 March 2023.