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

### TO THE DIRECTORS OF HENGXIN TECHNOLOGY LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hengxin Technology Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2022 and related notes as set out in Appendix IV to the circular dated 29 June 2023 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the possible acquisitions of Zhejiang Zhongguang New Energy Technology Co., Ltd. and its subsidiaries (collectively the "Target Group") (the "Possible Acquisitions") on the Group's assets and liabilities as at 31 December 2022 as if the Possible Acquisitions had taken place at 31 December 2022. As part of this process, information about the Group's assets and liabilities as at 31 December 2022 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

#### *Directors' Responsibilities for the Pro Forma Financial Information*

The Directors are responsible for compiling the 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 behavior.

The 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 paragraph 4.29(7) of the Listing Rules, on the 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 4.29 of the 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 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 at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 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 pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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



In our opinion:

- a) the 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

*Certified Public Accountants*  
Hong Kong

29 JUN 2023

*The information set forth in this appendix does not form part of the accountants' report received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix II to this circular, and is included herein for illustrative purposes only.*

*The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group set forth in Appendix I and the accountants' report set forth in Appendix II to this circular*

## **UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

### **(1) Introduction**

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2022 (the "Unaudited Pro Forma Financial Information") of Hengxin Technology Ltd. (the "Company") and its subsidiaries (collectively the "Group") in connection with the possible acquisitions of equity interest of Zhejiang Zhongguang New Energy Technology Co., Ltd. and its subsidiaries (collectively the "Target Group") (the "Possible Acquisitions") which has been prepared on the basis of the notes set out below and assumes the Possible Acquisitions had been completed on 31 December 2022. The Group and the Target Group are collectively referred to as the "Enlarged Group". Details of the Possible Acquisition are set out in the section headed "Letter from the Board" contained in this circular.

The Unaudited Pro Forma Financial Information is based on (i) the consolidated statement of financial position of the Group as at 31 December 2022, which has been extracted from the published annual report for the year ended 31 December 2022; (ii) the audited statement of assets and liabilities of the Target Group as at 31 December 2022, which has been extracted from the accountants' report of the Target Group as set out in Appendix II to this circular, after making pro forma adjustments as summarised in the accompanying notes that are directly attributable to the Possible Acquisitions and factually supportable as if the Possible Acquisitions had been undertaken as at 31 December 2022.

The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company 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 Possible Acquisitions been completed as of the specified dates or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(2) Unaudited Pro Forma Consolidated Statement Of Assets And Liabilities of the Enlarged Group

	The Group as at 31 December 2022 <i>RMB'000</i> <i>Note 1</i>	The Target Group as at 31 December 2022 <i>RMB'000</i> <i>Note 2</i>	Unaudited Pro forma adjustments <i>RMB'000</i> <i>Note 3</i>	Unaudited Pro Forma Consolidated Statement Of Assets And Liabilities Of The Enlarged Group as at 31 December 2022 <i>RMB'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	212,359	922,170	67,223	1,201,752
Intangible assets	56,416	546	189,229	246,191
Goodwill	155,116	-	89,739	244,855
Interest in an associate	-	4,150	-	4,150
Equity securities designated at fair value through other comprehensive income (FVOCI)	5,622	996	-	6,618
Financial assets measured at fair value through profit or loss (FVTPL)	15,321	-	-	15,321
Time deposits	-	50,000	-	50,000
Pledged deposits	-	35,000	-	35,000
Deferred tax assets	20,244	32,375	-	52,619
	<b>465,078</b>	<b>1,045,237</b>		<b>1,856,506</b>

	The Group as at 31 December 2022 <i>RMB'000</i> <i>Note 1</i>	The Target Group as at 31 December 2022 <i>RMB'000</i> <i>Note 2</i>	Unaudited Pro forma adjustments <i>RMB'000</i> <i>Note 3</i>	Unaudited Pro Forma Consolidated Statement Of Assets And Liabilities Of The Enlarged Group as at 31 December 2022 <i>RMB'000</i>
<b>Current assets</b>				
Inventories and other contract costs	151,587	933	-	152,520
Trade and other receivables	743,657	243,807	-	987,464
Financial assets measured at fair value through profit or loss (FVTPL)	-	6,934	-	6,934
Time deposits	300,000	70,000	-	370,000
Cash and cash equivalents	881,561	442,925	-	1,324,486
Derivative financial asset	456	-	-	456
	<b>2,077,261</b>	<b>764,599</b>		<b>2,841,860</b>

	The Group as at 31 December 2022 <i>RMB'000</i> <i>Note 1</i>	The Target Group as at 31 December 2022 <i>RMB'000</i> <i>Note 2</i>	Unaudited Pro forma adjustments <i>RMB'000</i> <i>Note 3</i>	Unaudited Pro Forma Consolidated Statement Of Assets And Liabilities Of The Enlarged Group as at 31 December 2022 <i>RMB'000</i>
<b>Current liabilities</b>				
Bank Loans	228,634	31,919	-	260,553
Trade and other payables	387,960	79,509	729,200	1,196,669
Derivative financial liability	2,781	-	-	2,781
Lease liabilities	3,709	651	-	4,360
Income tax payable	9,414	2,052	-	11,466
	<b>632,498</b>	<b>114,131</b>		<b>1,475,829</b>
<b>Net current assets</b>	<b>1,444,763</b>	<b>650,468</b>		<b>1,366,031</b>
<b>Total assets less current liabilities</b>	<b>1,909,841</b>	<b>1,695,705</b>		<b>3,222,537</b>
<b>Non-current liabilities</b>				
Bank Loans	-	595,647	-	595,647
Deferred income	2,460	45,175	-	47,635
Lease liabilities	2,906	1,272	-	4,178
Deferred tax liabilities	15,645	-	56,217	71,862
	<b>21,011</b>	<b>642,094</b>		<b>719,322</b>
<b>NET ASSETS</b>	<b>1,888,830</b>	<b>1,053,611</b>		<b>2,503,215</b>

(3) Notes to the Unaudited Pro Forma Financial Information

1. The balances of the Group were extracted from the audited consolidated statement of financial position of the Group as at 31 December 2022 which formed part of the audited annual financial information of the Group for the year ended 31 December 2022, as set out in the Company's published annual report for the year ended 31 December 2022.
2. The balances of the Target Group as at 31 December 2022 were extracted from the consolidated statement of financial position of the Target Group as at 31 December 2022 as set out in the accountant's report of the Target Group in Appendix II to this circular.
3. Upon completion of the Possible Acquisitions, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at the fair values under acquisition accounting in accordance with International Financial Reporting Standard 3 "Business Combinations" ("IFRS 3") issued by International Accounting Standards Board ("IASB").

For the purposes of the pro forma financial information, the allocation of the purchase price is determined based on the Directors' estimates of the fair value of the identifiable assets and liabilities of the Target Group which existed as at 31 December 2022.

The amounts of goodwill and fair values of the identifiable assets and liabilities of the Target Group are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Group on the date of completion of the Possible Acquisitions. Consequently, the resulting goodwill, the actual allocation of the purchase price at the date of completion will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

The recognition of pro forma goodwill arising on the Possible Acquisitions as if the Possible Acquisitions had been completed as at 31 December 2022 is as follows:

		<i>RMB'000</i>
<b>Fair value of total consideration</b>	(a)	<b>729,200</b>
<b>Less: Fair value of identified net assets upon completion of the Possible Acquisitions</b>		
- Carrying amounts of identified net assets upon completion of the Possible Acquisitions		(1,053,611)
- Fair value adjustments on property, plant and equipment	(b)	(67,223)
- Fair value adjustments on intangible assets	(b)	(189,229)
- Deferred tax liabilities related to the fair value adjustment	(b)	<u>56,217</u>
		<b>(1,253,846)</b>
<b>Add: non-controlling interest in the Target Group</b>		<b>614,385</b>
<b>Goodwill arising from the Possible Acquisitions</b>		<u><b>89,739</b></u>



- (a) This adjustment represents the consideration for the Possible Acquisition of RMB729,200,000, assuming no adjustment to the consideration as detailed in the section headed "Letter from the board" in this Circular, to be satisfied by cash as if the Acquisition had been completed on 31 December 2022.
- (b) The Directors of the Company have determined the fair values of the identifiable assets and liabilities of the Target Group as at 31 December 2022 with reference to a valuation report in relation to the purchase price allocation of the Possible Acquisitions issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The valuation adjustments on identifiable assets and liabilities are calculated by deducting carrying amount of identifiable assets and liabilities from the fair value of identifiable assets and liabilities as at 31 December 2022. Since the fair value of the identifiable net assets of the Target Group at the completion date of the Possible Acquisitions may substantially be different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amounts of the identifiable net assets (including intangible assets) and goodwill to be recognised in connection with the Possible Acquisitions may be different from the amounts presented above.

Adjustment of property, plant and equipment mainly represents the fair value adjustment of land use rights. Intangible assets represent the customer relationship and patent recognised arising from the Possible Acquisitions. Fair value of customer relationship of RMB174,129,000 was determined using multi-period excess earning method under the income approach. In the application of this method, contributory asset charges are taken against the after-tax cash flows available for distribution to capital providers to recognise the support of many other assets, tangible and intangible, which contribute to the realisation of those cash flows. Fair value of patents of RMB15,100,000 was determined using the cost approach.

Deferred tax liabilities is recognised for temporary differences that arise in respect of the recognised fair value adjustments on property, plant and equipment and intangible assets above.

When preparing the Pro Forma Financial Information, the Directors made preliminary assessment, with reference to International Accounting Standard 36, Impairment of Assets, issued by the IASB, as to whether or not there is any indicator of impairment on goodwill and intangible assets arising from the Possible Acquisitions. Based on such assessment, the Directors did not identify any impairment indicator in respect of the goodwill and intangible assets arising from the Possible Acquisitions.

Consistent with the accounting policies adopted by the Group in preparing the consolidated financial statements, the amount of goodwill and intangible assets arising from the Possible Acquisitions that will be initially recognised in the Company's consolidated financial statements will be determined with reference to IFRS 3 (Revised) based on the fair value of the acquired assets and liabilities at the date of completion of the Possible Acquisitions. The Directors will follow the Group's accounting policy in respect of assets impairment assessment, including the assessment of the impairment of goodwill and intangible assets arising from the Possible Acquisitions when preparing the Company's consolidated financial statements covering the period in which the Possible Acquisitions are completed. The Company's annual consolidated financial statements will be subject to audit, by the Company's auditors in accordance with Hong Kong Standards of Auditing.

The adjustments are expected to have a continuing effect on the Enlarged Group.

4. No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, reporting accountants, valuer, and other expenses) as the Directors determined that such costs are insignificant.
5. No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2022.