

Our Ref: 8T06700808

17 June 2022

PRIVATE & CONFIDENTIAL

The Board of Directors
Titan Invo Technology Limited (formerly known as TUS International Limited)
Room 707-711, TusPark Workhub
118 Wai Yip Street
Kwun Tong
HONG KONG

Dear Sirs

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

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Titan Invo Technology 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 as at 31 December 2021 and unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 and related notes as set out on pages III-1 to III-10 of the circular issued by the Company dated 17 June 2022 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page III-1 to III-10 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Disposal (as defined in the Circular) on the Group’s financial position as at 31 December 2021 as if the Disposal had taken place as at 31 December 2021 and on the Group’s financial performance and cash flows as if the Disposal had taken place as at 1 January 2021. 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 position as at 31 December 2021 and the Group’s financial performance and cash flows for the year ended 31 December 2021, on which no audit or review report has been published.

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To: The Board of Directors
Titan Invo Technology Limited

Date: 17 June 2022

Page: 2

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 (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 Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and 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 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.

Cont'd ... P.3

To: The Board of Directors
Titan Invo Technology Limited

Date: 17 June 2022

Page: 3

Reporting Accountants' Responsibilities (continued)

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 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 event or transaction as at 31 December 2021 or 1 January 2021 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.

Cont'd ... P.4

To: The Board of Directors
Titan Invo Technology Limited

Date: 17 June 2022

Page: 4

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.

Yours faithfully

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Kwok Tsz Chun

Practising Certificate Number: P06901

Hong Kong

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

The following is an illustrative and unaudited pro forma financial information of the Group excluding the Target Group upon the completion of the Disposal (the “**Remaining Group**”) (the “**Unaudited Pro Forma Financial Information**”), comprising the unaudited pro forma consolidated statement of financial position as at 31 December 2021, and the unaudited proforma 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 2021 of the Remaining Group which has been prepared to illustrate the effect of the Disposal (i) as if the Disposal had been completed on 31 December 2021 for the unaudited pro forma consolidated statement of financial position, and (ii) as if the Disposal had been completed on 1 January 2021 for 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 2021.

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the Directors in accordance with paragraph 4.29 of the 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 financial position of the Remaining Group as at 31 December 2021 or any future date, and the financial performance and cash flows of the Remaining Group for the year ended 31 December 2021 or for any future period.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 31 December 2021, which has been extracted from the published unaudited annual result announcement of the Group for the year ended 31 December 2021, after making certain pro forma adjustments relating to the proposed disposal that are factually supportable and directly attributable to the Disposal as set out below.

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 are prepared based on the unaudited consolidated statement of profit or loss and other comprehensive income and the unaudited consolidated statement of cash flows of the Group for the year ended 31 December 2021, which has been extracted from the published unaudited annual result announcement of the Group for the year ended 31 December 2021 and the published unaudited supplemental results announcement of the Company for the year ended 31 December 2021, after making certain pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in Appendix II to this circular, the published unaudited annual result announcement and the published unaudited supplemental results announcement of the Company for the year ended 31 December 2021, the historical financial information of the Target Group as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	The Group HK\$'000 Note (1)	Pro form adjustments			The Remaining Group HK\$'000
		HK\$'000 Note (2)	HK\$'000 Note (3)	HK\$'000 Note (4)	
Non-current assets					
Fixed assets					
- Property, plant and equipment	25,739				25,739
Right-of use assets	4,013				4,013
Construction on progress	108				108
Intangible assets	233,196				233,196
Goodwill	101,888				101,888
Financial assets through other comprehensive income	251,142	(115,708)			135,434
Deferred tax assets	1,838				1,838
	617,924				502,216
Current assets					
Inventories	22,180				22,180
Trade and bill receivables, prepayments and other receivables	155,802				155,802
Cash and cash equivalents	24,114	134,772			158,886
	202,096				336,868
Current liabilities					
Trade and bills payables and other payables	195,270			1,600	196,870
Contract liabilities	7,350				7,350
Lease liabilities	501				501
Current tax payables	1,432		8,917		10,349
Borrowings	714,874				714,874
	919,427				929,944
Net current liabilities	(717,331)				(593,076)
Total assets less current liabilities	(99,407)				(90,860)
Non-current liabilities					
Net defined benefits liabilities	7,886				7,886
Lease liabilities	4,379				4,379
Deferred tax liabilities	76,118				76,118
Convertible bonds	112,649				112,649
	201,032				291,892
Net liabilities	(300,439)				(291,892)

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group (Continued)

	The Group	Pro form adjustments			The Remaining Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note (1)</i>	<i>Note (2)</i>	<i>Note (3)</i>	<i>Note (4)</i>	
Capital and reserves					
Share capital	20,636				20,636
Reserves	<u>(321,075)</u>	19,064	(8,917)	(1,600)	<u>(312,528)</u>
Total equity	<u>(300,439)</u>				<u>(291,892)</u>

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group

	The	Pro Forma adjustments			The
	Group	HK\$'000	HK\$'000	HK\$'000	Remaining
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group
	Note (1)	Note (2)	Note (3)	Note (4)	HK\$'000
Continuing operations:					
Revenue	273,111				273,111
Cost of sales	(204,239)				(204,239)
Gross profit	68,872				68,872
Other revenue	9,895				9,895
Other gains and losses	32,081	19,064		(1,600)	49,545
Research and development expenses	(53,166)				(53,166)
Selling and distribution expenses	(5,441)				(5,441)
Depreciation	(14,052)				(14,052)
Amortisation	(54,080)				(54,080)
Administrative and other expenses	(93,126)				(93,126)
Allowance under expected credit loss model, net of reversal	(12,072)				(12,072)
Impairment of goodwill	(384,667)				(384,667)
Finance costs	(95,299)				(95,299)
Loss before taxation	(601,055)				(583,591)
Taxation	3,896		(8,917)		(5,021)
Loss for the year from continuing operations	(597,159)				(588,612)
Discontinued operations					
Profit for the year from discontinued operations	98,116				98,116
Loss for the year	(499,043)				(490,496)
Other comprehensive income/(expense), net of tax:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
- Exchange differences on translation of financial statements of foreign operations	11,153				11,153
<i>Item that was reclassified to profit or loss:</i>					
- Reclassification adjustment of exchange differences upon disposal of subsidiaries	20,112				20,112
<i>Items that will not be reclassified to profit or loss:</i>					
- Change in fair value of financial assets at fair value through other comprehensive income	(21,849)				(21,849)
- Remeasurement of defined benefit plans	738				738
Other comprehensive income/(expense) for the year, net of income tax	10,154				10,154
Total comprehensive expense for the year	(488,889)				(480,342)

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (CONTINUED)

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

	The Group HK\$'000 Note (1)	Pro Forma adjustments			The Remaining Group HK\$'000
		HK\$'000 Note (2)	HK\$'000 Note (3)	HK\$'000 Note (4)	
(Loss)/profit for the year attributable to:					
Owners of the Company					
-from continuing operations	(597,159)	19,064	(8,917)	(1,600)	(588,612)
-from discontinued operation	<u>98,200</u>				<u>98,200</u>
	(498,959)				(490,412)
	<u> </u>				<u> </u>
Non-controlling interests					
-from continuing operations	-				-
-from discontinued operation	<u>(84)</u>				<u>(84)</u>
	(84)				(84)
	<u> </u>				<u> </u>
	(499,043)				(490,496)
	<u> </u>				<u> </u>
Total comprehensive(expense)/income for the year attributable to:					
Owners of the Company	(489,270)	19,064	(8,917)	(1,600)	(480,723)
Non-controlling interests	<u>381</u>				<u>381</u>
	(488,889)				(480,342)
	<u> </u>				<u> </u>

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	The Group HK\$'000 Note (1)	Pro Forma adjustments HK\$'000 Note (2) HK\$'000 Note (4)		The Remaining Group HK\$'000
Operating activities				
(Loss)/profit before taxation				
-Continuing operations	(601,055)	19,064	(1,600)	(583,591)
-Discontinued operation	<u>98,116</u>			<u>98,116</u>
	(502,939)			(485,475)
Adjustment for:				
Depreciation of property, plant and equipment	17,006			17,006
Depreciation of right-of-use assets	5,798			5,798
Amortisation of intangible assets	63,282			63,282
Finance costs	95,299			95,299
Bank interest income	(1,956)			(1,956)
Loss on disposal of property, plant and equipment	3,911			3,911
Gain on disposal of subsidiaries	(128,697)			(128,697)
Gain on disposal of financial assets through other comprehensive income	-	(19,064)		(19,064)
Allowance under expected credit losses model, net of reversal	(12,072)			(12,072)
Impairment loss on goodwill	384,667			384,667
Share-based payments	<u>741</u>			<u>741</u>
Operating loss before changes in working capital	(74,960)			(76,560)
Increase in inventories	(43,045)			(43,045)
Increase in trade and bills receivables, prepayments and other receivables	(29,899)			(29,899)
Increase in trade and bills payables and other payables	140,543		1,600	142,143
Decrease in contract liabilities	(15,647)			(15,647)
Decrease in net defined benefits liabilities	<u>(398)</u>			<u>(398)</u>
Net cash used in operating activities	<u>(23,406)</u>			<u>(23,406)</u>

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (CONTINUED)

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group (Continued)

	The	Pro Forma adjustments		The
	Group	HK\$'000	HK\$'000	Remaining
	HK\$'000	HK\$'000	HK\$'000	Group
	Note (1)	Note (2)	Note (4)	HK\$'000
Investing activities				
Purchase of property, plant and equipment	(850)			(850)
Purchase of intangible assets	(20,634)			(20,634)
Net cash outflow on disposal of subsidiaries	156,010			156,010
Bank interest received	1,956			1,956
Proceed from disposal of property, plant and equipment	1			1
Purchase of financial assets through other comprehensive income	(8,601)			(8,601)
Proceed from disposal of financial assets through other comprehensive income	-	134,772		134,772
Net cash generated from investing activities	127,882			262,654
Financing activities				
Proceeds from bank loans	30,036			30,036
Repayment of bank loans	(109,485)			(109,485)
Proceeds from other loans	403,081			403,081
Repayment of other loans	(345,788)			(345,788)
Finance costs paid	(84,504)			(84,504)
Repayments of lease liabilities	(11,936)			(11,936)
Net cash used in financing activities	(118,596)			(118,596)
Net decrease in cash and cash equivalents	(14,120)			120,652
Effect of exchange rates on the balance of cash held on foreign currencies	7,117			7,117
Cash and cash equivalents at 1 January	31,117			31,117
Cash and cash equivalents at 31 December	24,114			158,886
Analysis of balances of cash and cash equivalents at the end of the year				
Cash and bank balances	24,114			158,886

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (CONTINUED)

Notes:

- (1) The unaudited consolidated statement of financial position of the Group as at 31 December 2021 and unaudited consolidated statement of profit or loss and other comprehensive income are extracted from the unaudited results announcement of the Company issued on 31 March 2022 and its unaudited consolidated statement of cash flows for the year ended 31 December 2021 is extracted from the unaudited supplemental results announcement of the Company for the year ended 31 December 2021 issued on 13 June 2022 and rounded to the nearest HK\$'000.
- (2) The adjustments represent the de-recognition of assets and liabilities of the Target Company as at 31 December 2021, de-recognition of the Group's historical acquisition premium in the Target Company, de-recognition of the non-controlling interests of the Target Company recognised by Company as at 31 December 2021 and recognition of the estimated gain on the Disposal by the Remaining Group, assuming the Disposal had taken place on 31 December 2021
- (a) The calculation for the estimated gain on the Disposal is set out below:

	<i>RMB'000</i>	<i>HK\$'000</i>
Consideration	110,000	134,772
	<u> </u>	<u> </u>
Analysis of assets and liabilities over which control was lost:		
Financial assets through other comprehensive income		<u>115,708</u>
Net assets disposal of		<u>115,708</u>
		<u> </u>
Estimated gain on the Disposal: (Note (5))		
Total consideration		134,772
Net assets disposal of		<u>(115,708)</u>
		<u>19,064</u>
		<u> </u>
Estimated net cash inflow arising on the Disposal:		
Cash to be received		<u>134,772</u>
		<u> </u>

- (3) The adjustment represents the estimated income tax to be incurred by Company on the Disposal and the share of the income tax. The income tax on the Disposal is calculated at 25%, being the PRC's enterprise income tax rate.

A. THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (CONTINUED)

Notes: (continued)

- (4) The adjustment represents the estimated legal and professional fees for the Disposal.
- (5) The gain on disposal excludes the estimated income tax to be incurred by Company on the Disposal and the share of the income tax and the estimated legal and professional fees for the Disposal.