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## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WISON ENGINEERING SERVICES CO. LTD.

### Introduction

We report on the historical financial information of Levima Wison (Jiangsu) Advanced Materials Co. Ltd. (the "Target Company") set out on pages 3 to 21, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the period from 23 August 2023 (the date of establishment of the Target Company) to 31 December 2023 and the six months ended 30 June 2024 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2023 and 30 June 2024 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 3 to 21 forms an integral part of this report, which has been prepared for inclusion in the circular of Wison Engineering Services Co. Ltd. (the "Company") dated 18 October 2024 (the "Circular") in connection with the acquisition of the 35% equity interest of the Target Company by a subsidiary of the Company (the "Acquisition").

### Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2023 and 30 June 2024 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

## **FINANCIAL INFORMATION OF THE TARGET COMPANY**

### **Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### **Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 3 have been made.

#### **Dividends**

We refer to note 8 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

*Ernst & Young*

Certified Public Accountants  
Hong Kong  
18 October 2024

## **FINANCIAL INFORMATION OF THE TARGET COMPANY**

### **I HISTORICAL FINANCIAL INFORMATION**

#### **Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The Target Company was established on 23 August 2023 and there is no comparative period for the six months ended 30 June 2024.

#### **(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Period from 23 August 2023 (date of establishment) to 31 December 2023 RMB'000	Six months ended 30 June 2024 RMB'000
Revenue	6	-	-
Other income	6	921	1,847
Administrative expenses		<u>(159)</u>	<u>(509)</u>
<b>PROFIT BEFORE TAX</b>		762	1,338
Income tax expense	8	<u>(191)</u>	<u>(335)</u>
<b>PROFIT FOR THE PERIOD</b>		<u>571</u>	<u>1,003</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>571</u>	<u>1,003</u>

**FINANCIAL INFORMATION OF THE TARGET COMPANY****I HISTORICAL FINANCIAL INFORMATION(continued)****(B) STATEMENTS OF FINANCIAL POSITION**

	Notes	31 December 2023 RMB'000	30 June 2024 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	284,919	333,222
Right-of-use assets	11	77,984	86,350
Other non-current assets		-	77,590
<b>Total non-current assets</b>		<b>362,903</b>	<b>497,162</b>
<b>CURRENT ASSETS</b>			
Prepayments and other receivables	12	23,621	30,452
Cash and bank balances	13	319,275	189,493
<b>Total current assets</b>		<b>342,896</b>	<b>219,945</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	14	2,103	12,390
Other payables and accruals	15	2,934	2,993
Tax payable		191	150
<b>Total current liabilities</b>		<b>5,228</b>	<b>15,533</b>
<b>NET CURRENT ASSETS</b>		<b>337,668</b>	<b>204,412</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>700,571</b>	<b>701,574</b>
<b>Net assets</b>		<b>700,571</b>	<b>701,574</b>
<b>EQUITY</b>			
Paid-up capital	16	700,000	700,000
Reserves	17	571	1,574
<b>Total equity</b>		<b>700,571</b>	<b>701,574</b>

**FINANCIAL INFORMATION OF THE TARGET COMPANY****I HISTORICAL FINANCIAL INFORMATION(continued)****(C) STATEMENTS OF CHANGES IN EQUITY**

	Paid-up capital RMB'000	Statutory surplus reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
At 23 August 2023 (date of establishment)	-	-	-	-
Profit for the period	-	-	571	571
Total comprehensive income for the period	-	57	514	571
Capital paid up	700,000	-	-	700,000
Transfer to statutory surplus reserves	-	57	(57)	-
At 31 December 2023 and 1 January 2024	700,000	57	514	700,571
Profit for the period	-	-	1,003	1,003
Total comprehensive income for the period	-	-	1,003	1,003
At 30 June 2024	700,000	57	1,517	701,574

## FINANCIAL INFORMATION OF THE TARGET COMPANY

### (D)STATEMENTS OF CASH FLOWS

	Notes	Period from 23 August 2023 (date of establishment) to 31 December 2023 RMB'000	Six months ended 30 June 2024 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		762	1,338
Adjustments for:			
Interest income	5	(921)	(1,847)
		(159)	(509)
Increase in prepayments and other receivables		(180)	(17)
Increase in trade payables		2,103	10,287
Increase in other payables and accruals		2,934	59
<b>Cash generated from operations</b>		4,698	9,820
Interest received	5	921	1,847
Tax paid		-	(376)
<b>Net cash flows from operating activities</b>		5,619	11,291
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(301,300)	(131,751)
Purchases of right-of-use assets		(85,044)	(9,322)
<b>Net cash flows used in investing activities</b>		(386,344)	(141,073)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from capital paid up		700,000	-
<b>Net cash flows from financing activities</b>		700,000	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		319,275	(129,782)
Cash and cash equivalents at beginning of period		-	319,275
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		319,275	189,493
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	11	319,275	189,493

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. CORPORATE INFORMATION**

The Target Company is established in the People's Republic of China (the "PRC") with limited liability on 23 August 2023. The principal place of business is located in No. 333, Chengjiang West Road, Taixing Economic Development Zone, Taizhou City, Jiangsu Province, China.

During the Relevant Periods, the Target Company is in the construction phase. The Target Company will engage in the manufacture of chemical raw materials and products.

The Target Company's ultimate holding company is Legend Holdings Corporation, a company incorporated in the PRC. Its registered office is located at 17/F, Building 1, Courtyard 2, Keyuan South Road, Haidian District, Beijing, China.

**2 BASIS OF PREPARATION**

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention and is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

**3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Target Company intends to apply these new and revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
Amendments to IAS 21	<i>Lack of Exchangeability<sup>1</sup></i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments<sup>2</sup></i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements<sup>3</sup></i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures<sup>3</sup></i>
Annual Improvements to IFRS Accounting Standards – Volume 11	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>4</sup> No mandatory effective date yet determined but available for adoption

The Target Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Target Company considers that these new and revised IFRSs are unlikely to have a significant impact on the Target Company's results of operations and financial position.

**4. MATERIAL ACCOUNTING POLICIES**Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired assets, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Target Company;
  - (ii) has significant influence over the Target Company; or
  - (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;
- or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Target Company are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Target Company are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.



**4. MATERIAL ACCOUNTING POLICIES (continued)**Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Plant and machinery	10%
Motor vehicles	12.5%
Office equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on disposal or retirement of an item of property, plant and equipment recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

The Target Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Target Company as a lessee*

The Target Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Company recognises right-of-use assets representing the right to use the underlying assets.

**(a) Right-of-use assets**

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	44 to 50 years
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If ownership of the leased asset transfers to the Target Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

**4. MATERIAL ACCOUNTING POLICIES (continued)**

Other financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

### 4. MATERIAL ACCOUNTING POLICIES (continued)

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade and other payables.

##### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at amortised cost (trade and other payables)*

After initial recognition, trade and other payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

##### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

##### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

##### Income tax

Income tax comprises current tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

##### Revenue recognition

##### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**4. MATERIAL ACCOUNTING POLICIES (continued)**Employee benefitsPension scheme

The employees of the Target Company are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Target Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS**

The preparation of the Target Company's financial statements requires management to make judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Expenditure capitalization

The Target Company is currently in the construction phase for the manufacture of chemical raw materials and products, resulting in substantial expenditures on construction related to property, plant and equipment. The Target Company evaluates the necessity of these expenditures for the construction process and subsequently assesses whether to capitalise or expense them accordingly.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-current assets

The Target Company assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**FINANCIAL INFORMATION OF THE TARGET COMPANY**

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**6. REVENUE AND OTHER INCOME**

No revenue derived during the Relevant Periods.

	Period from 23 August 2023 (date of establishment) to 31 December 2023 RMB'000	Six months ended 30 June 2024 RMB'000
<u>Other income</u>		
Bank interest income	<u>921</u>	<u>1,847</u>

**7. DIRECTORS' REMUNERATION**

Directors' remuneration disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Period from 23 August 2023 (date of establishment) to 31 December 2023 RMB'000	Six months ended 30 June 2024 RMB'000
Other emoluments:		
Salaries, allowances and benefits in kind	504	488
Pension scheme contributions	<u>23</u>	<u>46</u>
Total other emoluments	<u>527</u>	<u>534</u>

**8. INCOME TAX**

The Target Company is subject to the PRC corporate income tax at a rate of 25% during the Relevant Periods.

	Period from 23 August 2023 (date of establishment) to 31 December 2023 RMB'000	Six months ended 30 June 2024 RMB'000
Current charge for the period	<u>191</u>	<u>335</u>

**8. INCOME TAX (continued)**

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Target Company is domiciled to the tax expense at the effective income tax rate for the period is as follows:

	Period from 23 August 2023 (date of establishment) to 31 December 2023 RMB'000	Six months ended 30 June 2024 RMB'000
Profit before tax	<u>762</u>	<u>1,338</u>
Tax at the statutory tax rate and the Target Company's effective rate	<u>191</u>	<u>335</u>

**9. DIVIDEND**

No dividend was paid or proposed during the Relevant Periods.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

### 10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>30 June 2024</b>						
At 1 January 2024						
Cost	68,062	48,276	791	855	168,227	286,211
Accumulated depreciation	(310)	(923)	(18)	(41)	-	(1,292)
Net carrying amount	<u>67,752</u>	<u>47,353</u>	<u>773</u>	<u>814</u>	<u>168,227</u>	<u>284,919</u>
At 1 January 2024, net of accumulated depreciation	67,752	47,353	773	814	168,227	284,919
Additions	-	-	-	636	52,511	53,147
Depreciation provided during the period	(1,864)	(2,767)	(53)	(160)	-	(4,844)
At 30 June 2024, net of accumulated depreciation	<u>65,888</u>	<u>44,586</u>	<u>720</u>	<u>1,290</u>	<u>220,738</u>	<u>333,222</u>
At 30 June 2024						
Cost	68,062	48,276	791	1,491	220,738	339,358
Accumulated depreciation	(2,174)	(3,690)	(71)	(201)	-	(6,136)
Net carrying amount	<u>65,888</u>	<u>44,586</u>	<u>720</u>	<u>1,290</u>	<u>220,738</u>	<u>333,222</u>

## FINANCIAL INFORMATION OF THE TARGET COMPANY

### 10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2023</b>						
At 23 August 2023 (date of establishment)						
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Net carrying amount	-	-	-	-	-	-
At 23 August 2023 (date of establishment), net of accumulated depreciation	-	-	-	-	-	-
Additions	68,062	48,276	791	855	168,227	286,211
Depreciation provided during the period	(310)	(923)	(18)	(41)	-	(1,292)
At 31 December 2023, net of accumulated depreciation	67,752	47,353	773	814	168,227	284,919
At 31 December 2023						
Cost	68,062	48,276	791	855	168,227	286,211
Accumulated depreciation	(310)	(923)	(18)	(41)	-	(1,292)
Net carrying amount	67,752	47,353	773	814	168,227	284,919



**FINANCIAL INFORMATION OF THE TARGET COMPANY****11. RIGHT-OF-USE ASSETS**

	Properties RMB'000
As at 23 August 2023 (date of establishment)	-
Additions	78,275
Depreciation charge	(291)
As at 31 December 2023 and 1 January 2024	77,984
Additions	9,322
Depreciation charge	(956)
As at 30 June 2024	86,350

**12. PREPAYMENTS AND OTHER RECEIVABLES**

	31 December 2023 RMB'000	30 June 2024 RMB'000
Prepayments	175	129
Deposits and other receivables	23,446	30,323
Net carrying amount	23,621	30,452

**13. CASH AND BANK BALANCES**

	31 December 2023 RMB'000	30 June 2024 RMB'000
Cash and cash equivalents	319,275	189,493

At 30 June 2024, the cash and bank balances of the Target Company denominated in RMB amounted to RMB189,412,000 (2023: RMB319,275,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the bank balances approximate to their fair values. All the bank balances are deposited with creditworthy banks with no recent history of default.

**14. TRADE PAYABLES**

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2023 RMB'000	30 June 2024 RMB'000
Within 1 year	2,103	12,390

The amount due to a related company included in the trade payables is as follows:

	31 December 2023 RMB'000	30 June 2024 RMB'000
Related company (note 19) 惠生（泰州）新材料科技有限公司 (Wison (Taizhou) New Material Technology Co., Ltd., "Wison Taizhou")	2,100	2,100

The trade payables are unsecured, non-interest-bearing and are normally settled on 90-day terms.

**FINANCIAL INFORMATION OF THE TARGET COMPANY****15. OTHER PAYABLES AND ACCRUALS**

	31 December 2023 RMB'000	30 June 2024 RMB'000
Other payables	2,734	2,752
Accruals	200	241
Total	<u>2,934</u>	<u>2,993</u>

The other payables are unsecured, non-interest-bearing and are normally settled on 90-day terms.

**16. PAID-UP CAPITAL**

A summary of movements in the Company's paid-up capital is as follows:

	Registered capital RMB'000	Paid-up capital RMB'000
At 23 August 2023 (date of establishment)	700,000	-
Capital paid-up	<u>-</u>	<u>700,000</u>
At 31 December 2023, 1 January 2024 and 30 June 2024	<u>700,000</u>	<u>700,000</u>

**17. RESERVES**

In accordance with the Company Law of the PRC and the articles of association of the Target Company, the Target Company may appropriate to its statutory surplus reserve fund as a percentage of its profit after tax. The amount of the appropriation is subject to the approval of the board of directors of the Target Company in accordance with the articles of association of the Target Company. Subject to certain restrictions set out in the Company Law of the PRC and the articles of association, part of these reserves may be converted to increase the Target Company's registered capital, provided that the remaining balance after the capitalization on is not less than 25% of the registered capital.

The statutory surplus reserves are non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

The amounts of the Target Company's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity.

**18. COMMITMENTS**

The Target Company had the following contractual commitments at the end of the reporting period:

	31 December 2023 RMB'000	30 June 2024 RMB'000
Plant and machinery	89,600	283,706
Construction services	<u>36,050</u>	<u>48,153</u>
Total	<u>125,650</u>	<u>331,859</u>

## FINANCIAL INFORMATION OF THE TARGET COMPANY

### 19. RELATED PARTY TRANSACTIONS

(a) The Target Company had the following transactions with related parties during the period:

<u>Name of related parties</u>	<u>Relationship</u>		
联泓新材料科技股份有限公司 (Levima Advanced Materials Corporation, "Levima Corporation")	Equity holder owned 65% equity interest in the Target Company		
惠生（中国）投资有限公司 ("Wison (China) Investment")	Equity holder owned 35% equity interest in the Target Company		
惠生工程（中国）有限公司 (Wison Engineering Services Co. Ltd., "Wison Engineering")	Fellow subsidiary of Wison (China) Investment		
联泓（江苏）新材料研究院有限公司 (Levima (Jiangsu) Advanced Materials Research Institute Co., Ltd., "Levima Research Institute")	Subsidiary of Levima Corporation		
Wison Taizhou	Subsidiary of Wison (China) Investment		
		Period from 23 August 2023 (date of establishment) to 31 December 2023 RMB'000	Six months ended 30 June 2024 RMB'000
Purchases of property, plant and equipment from: Wison Taizhou		122,675	-
Purchases of land-use rights from: Wison Taizhou		78,275	-
Purchases of property, plant and equipment from: Wison (China) Investment		132,066	-
Services received from: Wison Engineering Wison (China) Investment Levima Research Institute		14,575 94 -	14,575 283 118
Capital paid up by: Levima Corporation Wison (China) Investment		455,000 245,000	- -

In the opinion of the directors of the Target Company, the transactions between the Target Company and Levima Corporation, Wison (China) Investment, Wison Engineering, and Levima Research Institute were conducted based on mutually agreed terms.

(b) Balances with related parties:

Details of the Target Company's payables to its related company as at the end of the reporting period are disclosed in note 14 to the historical financial information.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

### 19. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Company

	Period from 23 August 2023 (date of establishment) to 31 December 2023 RMB'000	Six months ended 30 June 2024 RMB'000
Short term employee benefits	1,668	1,692
Total compensation paid to key management personnel	1,668	1,692

Further details of directors' emoluments are included in note 7 to the historical financial information.

### 20. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and liabilities of the Target Company as at the end of each of the Relevant Periods were financial assets stated at amortised cost and financial liabilities stated at amortised cost, respectively.

### 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Target Company's financial instruments reasonably approximate to their fair values.

Management has assessed that the fair values of bank balances, financial assets included in prepayments and other receivables and financial liabilities included in trade payables and other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

### 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's financial instruments comprise cash and bank balances, trade payables, financial assets included in prepayments and other receivables and financial liabilities included in other payables and accruals. Details of these financial instruments are disclosed in the respective notes to the historical financial information .

The carrying amount of financial assets included in prepayments and other receivables were not significant as at 31 December 2023 and 30 June 2024. The bank balances are deposited with mainly creditworthy banks with no recent history of default. The Target Company will be able to provide sufficient funds to finance its working capital requirements. The Target Company does not have any significant credit and liquidity risk.

#### *Capital management*

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may return capital to equity holders. The Target Company is not subject to any externally imposed capital requirements.

**FINANCIAL INFORMATION OF THE TARGET COMPANY**

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**22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

	31 December 2023 RMB'000	30 June 2024 RMB'000
Total debt	<u>5,228</u>	<u>15,533</u>
Total equity	<u>700,571</u>	<u>701,574</u>
Gearing ratio	<u>1%</u>	<u>2%</u>

**23. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 June 2024.