



18 October 2024

The Board of Directors,
Wison Engineering Services Company Limited,
Suite 2507, 25/F,
Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong

Our Ref: B2024-030

Dear Sirs/Madams,

Re : Valuation of 100% equity interests in 聯泓惠生(江蘇)新材料有限公司

In accordance with the instructions from Wison Engineering Services Company Limited ("**Company**" and together with its subsidiaries, "**Group**"), we have conducted a valuation of the fair value of 100% equity interests ("**Equity Interests**") in 聯泓惠生(江蘇)新材料有限公司 (unofficially translated as "Levima Wison (Jiangsu) Advanced Materials Co. Ltd." and hereinafter, "**Wison Jiangsu Advanced Materials**" or "**Target Company**"), a private limited liability company incorporated in the People's Republic of China ("**PRC**" or "**China**") that is specialized in the research, development and production of new industrial materials named polyolefin elastomer ("**POE**") in the PRC. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the fair value of Wison Jiangsu Advanced Materials as at 30 June 2024 ("**Valuation Date**").

This report states the purpose of valuation and premise of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion on value.

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1. PURPOSE OF VALUATION

This report is being solely prepared for the directors and management of the Company for internal reference in connection with a proposed acquisition ("**Proposed Acquisition**") by the Company over certain equity stake in Wison Jiangsu Advanced Materials.

The Proposed Acquisition, if approved and materialized, would be a commercial decision made by the transacting parties and the corresponding transaction price would be the result of negotiations between the transacting parties. The directors and management of the Company should be solely responsible for determining the consideration of the Proposed Acquisition, in which Valplus Consulting Limited ("**Valplus**") is not involved in the negotiation and has no comment on the agreed consideration.

Furthermore, this valuation report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for any unauthorized use of this report. Valplus assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

2. BASIS AND PREMISE OF VALUE

Our valuation has been prepared in accordance with the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council.

Our valuation is based on going concern premise and conducted on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3. SCOPE OF WORK

Our valuation opinion is based on the assumption stated herein and the information provided by the management of the Group, Wison Jiangsu Advanced Materials or their representatives (together, "**Management**"). In the course of our valuation work, we

have conducted the following process to evaluate the reasonableness of the adopted basis and assumption provided:

- Held discussion with the Management in relation to the background, development, operation, financial performance and other relevant information of Wison Jiangsu Advanced Materials;
- Reviewed relevant financial information, operational information and other relevant data concerning Wison Jiangsu Advanced Materials;
- Reviewed and held discussion with the Management on the business development concerning the Wison Jiangsu Advanced Materials provided to us by the Management;
- Performed market research in relation to the economic outlook in general and the specific economic environment and market elements affecting the business, industry, and market and obtained relevant statistical figures from the public sources;
- Examined relevant basis and assumptions of both the financial and operational information of Wison Jiangsu Advanced Materials, which were provided by the Management;
- Designed an appropriate valuation model to derive the fair value of the Equity Interests;
- Presented all relevant information on the scope of work, sources of information, overview of Wison Jiangsu Advanced Materials, major assumptions, valuation methodology, limiting conditions, remarks and opinion of value in this report.

4. SOURCES OF INFORMATION

We relied on the following major documents and information in our valuation analysis. Some of the information and materials are furnished by the Management. Other information is extracted from public sources such as government sources, HKEXnews, Bloomberg and Duff & Phelps, LLC, etc., if applicable.

The major documents and information include the following:

- The joint venture agreement ("**Joint Venture Agreement**") entered into between 聯泓新材料科技股份有限公司 (officially translated as "Levima Advanced Materials Company Limited" and hereinafter, "**Levima Advanced Materials**") and 惠生（中國）投資有限公司 (officially translated as "Wison (China) Holding Company" and hereinafter, "**Wison China Investment**"), and dated 22 August 2023;
- The master and supplemental strategic cooperation agreements (collectively, "**Strategic Cooperation Agreements**") entered into between Levima Advanced Materials, Wison China Investment and 惠生（泰州）新材料科技有限公司 (officially translated as "Wison (Taizhou) New Material Technology Company Limited" and hereinafter, "**Wison Taizhou New Material**"), and dated 26 May 2023 and 22 August 2023 respectively;
- Articles of Association of Wison Jiangsu Advanced Materials dated 22 August 2023;
- The technology transfer agreement ("**Technology Transfer Agreement**") in relation to the POE technology ("**POE Technology**") entered into between Wison China Investment and Wison Jiangsu Advanced Materials, and dated 23 August 2023;
- The asset transfer agreement ("**Asset Transfer Agreement**", and together with the Technology Transfer Agreement, "**Transfer Agreements**") in relation to the POE production project ("**POE Project**") entered into between Wison Taizhou New Material and Wison Jiangsu Advanced Materials, and dated 23 August 2023;
- Approval letters in relation to the transfer of the POE Technology to Wison Jiangsu Advanced Materials issued by China National Intellectual Property Administration and dated October 2023;
- The feasibility study report ("**Feasibility Report**") in relation to the POE Project undertaken by Wison Taizhou New Material;
- Copies of certificates, contracts and agreements ("**Land Doc**") of the land use rights ("**Land Use Rights**") in relation to the POE Project and owned by Wison Jiangsu Advanced Materials, including but not limited to:
 - (i) <<國有建設用地使用權出讓合同>> entered into between 泰興市自然資源和規劃局 (unofficially translated as Taixing Municipal Natural Resources and Planning Bureau), Wison Taizhou New Material, Wison Jiangsu Advanced Materials and 泰興市成興國有資產經營投資有限公司 (unofficially translated as Taixing Chengxing State-owned Assets Management

and Investment Company Limited and hereinafter, "Taixing Chengsing AM"), and dated 29 December 2017, 17 May 2019 and 7 February 2024;

(ii) The master and supplemental agreements of <<國有土地使用權轉讓協議書>> entered into between Wison Taizhou New Material and Taixing Chengsing AM and dated 10 December 2018 and 6 June 2019; and

(iii) <<不動產權證書>> of the Land Use Rights.

- Announcement(s) and/or circular(s) made by the Company in relation to Wison Jiangsu Advanced Materials;
- Audited annual reports and unaudited interim reports of the Group; and
- Historical financial information of Wison Jiangsu Advanced Materials for the six months ended 30 June 2024 ("FS").

In the course of our valuation, we had discussion with the Management on the industry and the development of Wison Jiangsu Advanced Materials. Furthermore, we have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We consider that we have obtained adequate information from the sources described above to provide a reliable opinion on value.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

5. COMPANY PROFILE

Wison Jiangsu Advanced Materials is a private limited liability company incorporated in the PRC on 23 August 2023 with registered capital of RMB700 million. The business scope of Wison Jiangsu Advanced Materials is confined to the production and selling of chemical products (excluding licensed chemical products), production and selling of specialized chemical products (excluding hazardous chemicals), production and selling of synthetic materials (excluding hazardous chemicals), technical services, technology development, technical consulting, exchange and transfer, technology promotion and related services, technology promotion and application services, new material technology research and development.

Based on the FS provided by the Management, for the six-month period ended 30 June 2024, Wison Jiangsu Advanced Materials recorded nominal revenue or net profit from operating activities. As at 30 June 2024, Wison Jiangsu Advanced Materials had total assets of approximately RMB717.1 million and its net assets were approximated to RMB701.6 million.

6. BUSINESS OVERVIEW

According to the Joint Venture Agreement, the Strategic Cooperation Agreements, and the Transfer Agreements, Wison Jiangsu Advanced Materials was established as a joint venture to undertake the POE Project in Binjiang Town, Taixing City, Jiangsu Province, the PRC. Pursuant to the Feasibility Report and the Land Use Rights, the POE Project covers the construction of (i) POE production facilities; (ii) public works and ancillary facilities; and (iii) supporting engineering works outside the factory areas, such as power supply networks. The entire construction period is estimated to be 2 years commencing in June 2023, and shall include various technical testing and trial production prior to official market launch in the second half of 2025. The aggregated investment cost of the POE Project approximated to RMB2.0 billion, including purchase of fixed assets, acquisition of technology, finance cost, tax and surcharges and etc. Upon the completion of the construction work-done, the POE Project is expected to sustain a production capacity of approximately 100,000 tonnes of POE materials per annum.

Pursuant to the Management, POE is a modern versatile material which is uniquely capable of offering strength and flexibility, equipping with a balance of properties common for both plastic and rubber. The raw materials required for POE manufacturing are common and ordinary base chemicals, consisting primarily of ethylene, 1-butene and octene. POE is considered as widely applicable in numerous end-user products, such as solar photovoltaic panel packaging, automotive exteriors and interiors, vehicle belts and hoses, weatherstripping, packaging adhesives, footwear, roofing membranes and flooring.

7. ECONOMIC OVERVIEW

This section of economic overview is based on the data provided by Hong Kong Trade Development Council ("HKTD"). China's gross domestic product ("GDP") grew by 5.0% in first half of 2024. During the first half of 2024, added-value industrial

output rose by 6.0%, fixed-assets investment increased by 3.9%, and retail sales climbed by 3.7%. Meanwhile, in June 2024, the consumer price index rose by 0.2% on a year-on-year basis. In the first half of 2024, exports and imports in US-dollar terms increased by 3.6% and 2.0% respectively, resulting in a trade surplus of US\$435.0 billion in the period. The Manufacturing Purchasing Managers' Index came in at 49.5 in June, holding steady for the second straight month. In January 2024, The National Business Work Conference stated that the national commercial system had been urged to expedite the construction of a new development pattern. This includes co-ordinating the expansion of domestic demand and deepening supply-side structural reform, as well as co-ordinating new urbanization and comprehensive rural revitalization.

	2023		2024 (Latest)	
	Value	Growth (%)	Value	Growth (%)
Population, year-end (mn)	1,409.7	-0.2	1,409.7	n/a
Gross Domestic Product (RMB bn)	126,058.2	5.2	61,683.6 ¹	5.0 ¹
Fixed assets investment (RMB bn)	50,303.6	3.0	24,539.1 ¹	3.9 ¹
Consumer goods retail sales (RMB bn)	47,149.5	7.2	23,596.9 ¹	3.7 ¹
Exports (US\$ bn)	3,380.0	-4.6	1,707.6 ¹	3.6 ¹
Imports (US\$ bn)	2,556.8	-5.5	1,272.6 ¹	2.0 ¹
Trade surplus (US\$ bn)	823.2	n/a	435.0 ¹	n/a
Utilized foreign direct investment (US\$ bn)	1,133.9	-8.0	498.9 ¹	-29.1 ¹
Foreign currency reserves (US\$ bn)	3,238.0	3.5	3,222.4 ²	0.9

Table 1: China economic indicators (2023 – 2024 Latest)

Source: HKTDC

Notes:

- 1) Data period from January to June 2024.
- 2) Data as of end of June 2024 from The National Bureau of Statistics, Ministry of Commerce, and General Administration of Customs.

8. INDUSTRY OVERVIEW

This section of industry overview is based on the research conducted and data provided by (i) the Chyxx; (ii) the Huaon; (iii) Global Information and (iv) Insight&Info.

Global and China Market Outlook

The global POE market has undergone substantial growth in recent years. The global POE market size increased from US\$2.7 billion in 2015 to US\$3.6 billion in 2022, with a compound annual growth rate of approximately 4.4%. Traditionally, the POE consumption was mainly contributed by Japan, North America and Europe; however, with the development of downstream industries, China's demand for POE has increased significantly since 2017. It is estimated that the China POE market will increase from US\$731.0 million in 2023 to US\$2.0 billion by 2029, with a compound annual growth rate of approximately 18.5%.

The demand for POE in China has kept increasing over the years, and in 2022, China's POE consumption was approximated 242,000 tons. The photovoltaic industry has accounted for approximately 40% of the total POE consumption, and then followed by automotive industry, which accounted for approximately 26% of the market. Due to the high technical threshold, intellectual property barriers and raw material constraints, China has yet realized the industrialized production of POE currently. It has to rely on importing POE products from foreign countries, and the domestic selling price of POE products has kept at a considerably high level, ranging from approximately RMB16,000/ton to RMB19,000/ton.

Currently, the major production bases of global POE are located in the United States, Japan, South Korea and other regions, and the POE manufacturers are dominated by a few companies such as Dow Chemical, Mitsui Chemicals, ExxonMobil Chemical, South Korea's LG Chemical, South Korea's SK Chemical, Borealis, etc. The domestic circulation of POE products in China are mainly provided by Dow Chemical and Exxon Mobil in the United States, LG Chem and SK Group in South Korea.

Policies and Regulations

In recent years, the PRC government has actively promoted the development of polyolefin products. In May 2021, the launch of "The 14th Five Year Plan of Petrochemical Industry of China" emphasized the acceleration of new industrial materials development and to achieve the self-sufficiency rate of 75%, accounting for 10% of the overall chemical industry. In October 2022, the National Development and Reform Commission and the Ministry of Commerce jointly published the latest edition (2022 edition) of the Catalogue of Encouraged Industries for Foreign Investment, which encourages foreign investments on the development and production of high-end polyolefin. Under the guidance of the PRC government policies, many domestic enterprises have accelerated their deployment in the POE field and to promote product

research and development.

POE Applications

Given the exceptional properties and versatility, POE has been widely used across various industries in China:

i) Photovoltaic industry

- Historically, ethyl vinyl acetate (“EVA”) has been the most commonly used material for encapsulation films in solar panels. POE can act as a critical component used to adhere and protect solar cells within PV modules. It provides adhesion between the top surface, rear surface, and the solar cells themselves. The advantages of POE include but not limited to:
 - (a) POE exhibits good light transmittance, allowing sunlight to reach the solar cells effectively.
 - (b) POE forms a reliable bond with the solar cell and other components, and resists deformation over time, maintaining its integrity.
 - (c) POE elastomers exhibit excellent stability at elevated temperatures and under UV exposure.
 - (d) POEs have improved potential induced degradation performance compared to EVA-based encapsulants. This means that over time, the power output of the PV module remains consistent, with low leakage current.
 - (e) The use of POE materials in encapsulation films contributes to the overall more durable service life of solar panels compared to the traditional EVA materials.

ii) Other applications

- One of the primary applications of POEs is as impact modifiers for polypropylene (“PP”). By blending POEs with PP, manufacturers can improve the toughness and impact resistance of PP-based materials. Scanning electron microscopy studies reveal that an increased flowability of the POE rubber reduces the domain size within the PP matrix. Smaller rubber

domains lead to enhanced impact strength in the composite. The size of the rubber particles (POE domains) within the PP matrix plays a crucial role. When an increased concentration of ethylene octene random copolymer is used as the POE, the PP/POE composite exhibits maximum impact strength. In this way, POEs contribute to the balance between stiffness and toughness in PP-based materials. They allow PP to retain its processability while significantly improving its impact resistance. Applications of the PP/POE composites include but not limited to:

- (a) PP/POE blends find use in automotive interior components, such as instrument panels, door panels, and trim parts. The enhanced toughness ensures better performance during impact events.
- (b) Shoe soles and other footwear components benefit from PP/POE composites due to their improved durability and resilience.
- (c) PP/POE materials are suitable for medical devices and equipment where impact resistance and ease of processing are essential.
- (d) In roofing membranes and other construction applications, PP/POE blends provide weather resistance and impact toughness.
- (e) PP/POE can be found in various consumer goods, including toys, containers, and household items.

9. INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to historical performance, operations and industry, and other relevant information of Wison Jiangsu Advanced Materials. In addition, we have made relevant enquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to financial information and other pertinent data concerning Wison Jiangsu Advanced Materials provided to us by the Management.

The valuation of Wison Jiangsu Advanced Materials requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the

following:

- Nature and operations of Wison Jiangsu Advanced Materials;
- Historical information of Wison Jiangsu Advanced Materials;
- Financial condition of Wison Jiangsu Advanced Materials;
- Proposed business development of Wison Jiangsu Advanced Materials;
- Nature, terms and conditions of relevant agreements, contracts, licenses, permits and rights, if applicable;
- Expected economic income from relevant agreements, contracts, licenses, permits and rights, if applicable;
- Regulations and rules of relevant industries;
- Economic and industry data affecting markets and other dependent industries;
- Market-derived investment return(s) of similar business; and
- General global economic outlook.

10. GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to value a business subject:

- Market approach;
- Asset approach; and
- Income approach.

Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and

sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing businesses that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive. A more detailed discussion of each approach is presented in the *ADDENDUM I – VALUATION APPROACHES* of this report.

11. VALUATION ANALYSIS

11.1. Methodology

In the process of valuing a business subject, we have taken into consideration of business nature, assets type, specialty of its operations, assets owned, and liabilities assumed and industry it is participating. Having considered the three general valuation methodologies, we believed that the asset approach would be appropriate and reasonable in the valuation of Wison Jiangsu Advanced Materials.

Based on discussion with the Management and information provided by the Management, Wison Jiangsu Advanced Materials was incorporated in August 2023 and the POE Project was still under development as at the Valuation Date, thus Wison Jiangsu Advanced Materials has not yet commenced its commercial operations pending completion of the development. Therefore, the use of historical data is not sufficient to form a reliable basis of projections. Also, the use of projections would involve a high level of uncertain, long-term forecast estimates and underlying assumptions. Given available limited basis, qualifications and explanations, the income approach is therefore considered to be not appropriate for this valuation.

The market approach is also considered not appropriate as there are insufficient relevant comparable transactions and companies to form a reliable basis for opinion on value given the uniqueness of the POE Project and the early development stage of Wison Jiangsu Advanced Materials. Also, as Wison Jiangsu Advanced Materials was newly established with short operating track records, the market approach based on latest financial metrics is not reasonable and applicable after considering the development status and operational scale of Wison Jiangsu Advanced Materials.

Under the asset approach, we have adopted adjusted net assets method (“**Adjusted NAV**”), of which all of the subject’s individual asset and liability account categories are analysed and valued separately. The value of the individual assets (both tangible and

intangible) less the value of the liabilities (both recorded and contingent) represents the subject business value. The Adjusted NAV is a sound method for estimating the value of start-up business which is not mature but still under development.

11.2. Assets and Liabilities Measurement

Under the asset approach, the value of the valuation target is determined by reasonably assessing the value of the assets and liabilities as stated on the balance sheet of the enterprise. To prepare the valuation, we have reviewed the assets & liabilities as stated in the FS of Wison Jiangsu Advanced Materials as of the Valuation Date. Pursuant to the Management, Wison Jiangsu Advanced Materials had no off-balance sheet assets or liabilities as of the Valuation Date. In the course of our measurement, we have made relevant enquiries to and obtained necessary information from the Management about the assets & liabilities of the FS. The measurement is prepared on the basis of agreed upon procedures, approaches and methods. However, the assessed values provided by us in this report rely to a great extent on the representations made by the Management reflecting their best available estimates, judgment and knowledge concerning the assets & liabilities of the audited accounts. Based on the FS of Wison Jiangsu Advanced Materials as of the Valuation Date, the major and material assets and liabilities of Wison Jiangsu Advanced Materials are cash & bank balances, prepayments and other receivables, property, plant & equipment, right-of-use assets in relation to the Land Use Rights, other non-current assets and trade payables.

Cash & Bank Balances

The cash & bank balances primarily referred to the bank balance which were highly liquid and were available for withdrawal upon demand, and therefore they were subject to cost basis where the fair value was equivalent to the corresponding carrying amount stipulated on the FS.

Prepayments and Other Receivables

The prepayments and other receivables were primarily consisted of prepayments, deposits and tax assets associated with the input tax to be credited of the value-added tax borne by Wison Jiangsu Advanced Materials, which were expected to be settled within one year from the Valuation Date. We have checked and reviewed against the relevant receivable information as provided by the Management, including but not limited to the debtors' names and exposure amount. Based on the above analysis, the

fair value of the prepayments and other receivables were estimated as approximately their respective carrying amount on the FS.

Property, Plant & Equipment

The property, plant & equipment primarily consist of (i) structures, machineries, equipment and fixtures transferred to Wison Jiangsu Advanced Materials under the execution of the Transfer Agreements in the end of 2023 and shall be used for the construction of the POE Project; and (ii) construction in progress which refers to the construction and set-up cost injected by Wison Jiangsu Advanced Materials to build and establish the production lines and the related ancillary structures of the POE Project. We have checked and reviewed the information of the equipment and fixtures provided by the Management including but not limited to the names, quantity, specifications, models and carrying amount. Considering that (i) those property, plant & equipment were newly acquired under the Transfer Agreements in late 2023; (ii) Wison Jiangsu Advanced Materials has not yet commenced the POE production operation as at the Valuation Date; and (iii) the asset transfer dates were incurred approximately within one year prior to the Valuation Date, the fair value of the property, plant & equipment was estimated as approximating to the respective carrying amount stipulated on the FS.

Right-of-Use Assets

The right-of-use assets include the Land Use Rights of the factory construction site of the POE Project. The Land Use Rights represent the interests in three parcels of land located in Binjiang Town, Taixing City, Jiangsu Province, the PRC, with the respective site area of approximately 34,000 sq.m. ("Land A"), 156,000 sq.m. ("Land B") and 20,000 sq.m. ("Land C"), with initial tenures of 50 years. The Land Use Rights have been valued by using direct comparison approach. This approach calculates the market value of the properties by referring to comparable land transactions and other sales evidence that are available in the relevant market. Detailed calculation and a list of comparable land transactions are set out in *ADDENDUM II – CALCULATION & COMPARABLE LAND TRANSACTIONS* of this report. The summary of the fair value measurement of the Land Use Rights are set forth as below:

Aggregated site area ¹	210,000 sq.m. ³
Adopted plot ratio ¹	2.5
Unexpired tenure ¹	44.1 years – 49.7 years
Usage ¹	Industrial

Adopted unit rate²

RMB240 – RMB290

**Figures above are subject to rounding.*

Notes:

- 1) *These are based on the information of the Land Doc.*
- 2) *These are based on the median of the comparable land sale (i) in the same/ similar locality as the subject land; (ii) same usage as the subject land; and (iii) traded within approximately 2 years prior to the Valuation Date.*
- 3) *This is the sum of the site areas of the Land A, the Land B and the Land C.*

Based on the above inputs and analysis, the fair value of the Land Use Rights approximated to RMB127,085,000 as at the Valuation Date.

Other Non-Current Assets

The other non-current assets were mainly comprised of construction prepayments in relation to the POE Project to the third-party suppliers. As advised by the Management, such prepayment balance shall be reclassified and transferred to the property, plant & equipment upon completion of certain construction progress of the POE Project under the development plan as stipulated in *Section 6 BUSINESS OVERVIEW*. Considering that the POE Project was still under construction in accordance with the aforementioned schedule as the Valuation Date, the fair value was estimated as approximating to the respective book value on the FS.

Trade Payables

The trade payables were mainly referred to the non-interest-bearing payables associated with the procurement of property, plant & equipment and construction service engagements, and shall be settled by Wison Jiangsu Advanced Materials within one year from the Valuation Date. We have checked and reviewed information including but not limited to the creditors' names and payable amount as provided by the Management, and considered that the fair value shall be approximated to their respective carrying amount on the FS.

Other Assets and Liabilities

Upon our analysis and discussion with the Management, other assets and liabilities mainly included miscellaneous items including other payables and accruals, and tax

payable, which were accounted for minority balances and were all subject to cost basis for the purpose of this valuation.

11.3. Value Summary

	Book value	Revaluation
	RMB'000	RMB'000
Assets		
Cash & bank balances	189,493	189,493
Prepayments and other receivables	30,452	30,452
Property, plant & equipment	333,222	333,222
Right-of-use assets	86,350	127,085
Other non-current assets	77,590	77,590
TOTAL ASSETS:	717,107	757,842
Liabilities		
Trade payables	12,390	12,390
Other payables and accruals	2,993	2,993
Tax payable	150	150
TOTAL LIABILITIES:	15,533	15,533
NET ASSETS:	701,574	742,309

* Figures above are subject to rounding

The revaluation of the net assets of Wison Jiangsu Advanced Materials as at the Valuation Date was approximately RMB742,309,000 as compared to the respective book value of approximately RMB701,574,000, representing an appreciation in amount of approximately RMB40,735,000. The increase in the value was primarily due to the increase in the revaluation of the right-of-use assets.

12. VALUATION ASSUMPTIONS

- As advised by the Company, the likelihood of any potential tax liabilities for the properties being crystalized is remote as the Group has no intention to sell the properties.
- Wison Jiangsu Advanced Materials is assumed to have no contingent assets and

liabilities or any other off-balance sheet items which should be recognized or valued attributable to Wison Jiangsu Advanced Materials;

- To continue as a going concern, Wison Jiangsu Advanced Materials will successfully carry out all necessary activities for the development of its business;
- The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;
- The audited financial and operational information of Wison Jiangsu Advanced Materials as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of Wison Jiangsu Advanced Materials as at the respective balance sheet date;
- Market trends and conditions where Wison Jiangsu Advanced Materials operates will not deviate significantly from the economic forecasts in general;
- Key management, competent personnel and technical staff will all be retained to support ongoing operations of Wison Jiangsu Advanced Materials;
- There will be no material changes in the business strategy of Wison Jiangsu Advanced Materials and its expected operating structure;
- Interest rates and exchange rates in the localities for the operations of Wison Jiangsu Advanced Materials will not differ materially from those presently prevailing;
- All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where Wison Jiangsu Advanced Materials operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which Wison Jiangsu Advanced Materials operates or intends to operate, which would adversely affect the revenues and profits attributable to Wison Jiangsu Advanced Materials.

13. LIMITING CONDITIONS

Our conclusion of the value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Our work in connection with this engagement is of a different nature to that of a formal audit or a review of information, as those terms are understood in applicable to relevant auditing and accounting standards. We do not, as part of this exercise, perform an audit, review, or examination of any of the historical, present or prospective financial information used and therefore, do not express any opinions with regard to it.

The estimated or assessed value of other assets were only used for the purpose of this valuation and does not constitute to be a formal valuation or second opinions of their fair or market values.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates as identified or being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for their accuracy. The value might be adjusted should more specific and update information of the valuation subject is made available to us.

We have made reference to the information provided by the Management in arriving at our opinion on value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and that any material facts have been omitted from the information provided. No responsibility for the operational and financial information that have not been provided to us is accepted.

We accept no responsibility for the realization and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this report. We assumed that financial and other information provided to us are accurate and complete.

We have not investigated the title to or any legal liabilities of Wison Jiangsu Advanced Materials. We have assumed no responsibility for the title to Wison Jiangsu Advanced Materials.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value(s) are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value(s) represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

We would particularly point out that our valuation was based on the information such as company background, business nature, market share, and future prospects of Wison Jiangsu Advanced Materials provided to us by the Management.

14. REMARKS

The Management has reviewed and agreed on the report and confirmed the factual content of the report.

We hereby confirm that we have neither present nor prospective interests in Wison Jiangsu Advanced Materials, the Group or the value reported herein.

15. OPINION ON VALUE

Based on the investigation and analysis stated above and on the valuation methods employed, we are of the opinion that the fair value of the Equity Interests in Wison Jiangsu Advanced Materials as at the Valuation Date was in the sum of **RMB742,309,000 (RENMINBI SEVEN HUNDRED FORTY-TWO MILLION THREE HUNDRED AND NINE THOUSAND ONLY).**

Respectfully submitted,
For and on behalf of
VALPLUS CONSULTING LIMITED



Damon S.T. Wan, CFA, FRM, MRICS
Founding Partner

Analysed and reported by:

Willy T.Y. Yu, CESGA
Associate Director

Stella S.Y. Lam, CFA
Manager

ADDENDUM I – VALUATION APPROACHES***Market Approach***

The market approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interests in companies that were sold recently.

The right transactions employed in analysing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to derive an indication of value.

Asset Approach

The asset approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operations, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interests of the business entity.

Income Approach

The income approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

ADDENDUM II – CALCULATION & COMPARABLE LAND TRANSACTIONS

Based on the information of the Land Doc provided by the Management, details of the Land A, the Land B and the Land C are summarized as below:

	Land A	Land B	Land C
Location	Binjiang Town, Taixing City	Binjiang Town, Taixing City	Binjiang Town, Taixing City
Usage	Industrial	Industrial	Industrial
Site area (sq.m.)	34,000	156,000	20,000
Plot ratio	2.5	2.5	2.5
Permitted gross floor area ("GFA") (sq.m.)	85,000	391,000	50,000
Tenure expiry date	2069-06-11	2068-08-15	2074-02-26

** Figures above are subject to rounding.*

In valuing the Land Use Rights, we have conducted our comparable search based on the following selection criteria:

- Location in the same district as the valuation subject;
- Industrial use; and
- Precedent transactions completed within approximately 2 years prior to the Valuation Date.

Based on the above selection criteria, on best effort basis, we have identified an exhaustive list of 8 comparable land transactions of similar attributes. Appropriate adjustments to the unit rates based on the GFA have been made to reflect factors including time and size in arriving at our opinion of value. The rationale of the relevant adjustments adopted to cater for the differences between the subject land and the comparables are as follows:.

- Location – all land comparables are located in the same district as the subject land. Hence, the location adjustments are nil.
- Time – the unit rates of the land comparables are adjusted for the expected price

changes from the respective transaction completion dates to the Valuation Date by making reference to the industrial land price index in the locality.

- iii. Size – the unit rates of the properties with smaller size are generally higher, vice versa due to the general market practice. Therefore, downward adjustments are made for the land comparables with the GFA smaller than the subject land, and vice versa.

Summary of the land comparables and the adjusted rates are illustrated as below:

Comparable	1	2	3	4	5	6	7	8
Location	Binjiang Town	Binjiang Town	Binjiang Town	Binjiang Town	Binjiang Town	Binjiang Town	Binjiang Town	Binjiang Town
Usage	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
Transaction date	2nd quarter, 2024	4th quarter, 2023	4th quarter, 2023	4th quarter, 2023	1st quarter, 2023	4th quarter, 2022	4th quarter, 2022	2nd quarter, 2022
Permitted GFA (sq.m.)	193,000	82,000	94,000	127,000	592,000	428,000	73,000	123,000
Unit rate (RMB/ sq.m.)	227	308	237	253	275	269	235	337
Adjusted unit rate for:								
The Land A (RMB/ sq.m.)	239	308	238	260	345	318	236	346
The Land B (RMB/ sq.m.)	204	261	202	221	303	277	200	295
The Land C (RMB/ sq.m.)	243	314	243	264	350	323	240	352

* Figures above are subject to rounding.

Based on the above analysis, we have made reference to the land comparables in the locality and adopted (i) the median unit rate of approximately RMB280 per sq.m. within the comparable range from approximately RMB236 per sq.m. to RMB346 per sq.m. for the Land A; (ii) the median unit rate of approximately RMB240 per sq.m. within the comparable range from approximately RMB200 per sq.m. to RMB303 per

sq.m. for the Land B; and (iii) the median unit rate of approximately RMB290 per sq.m. within the comparable range from approximately RMB240 per sq.m. to RMB352 per sq.m. for the Land C. All the adopted unit rates are consistent with the range of the comparable transactions and are thus considered to be fair and reasonable.

Based on the abovementioned unit rates, the calculation of the fair value of each subject land is illustrated as follows:

	Formula	Land A	Land B	Land C
(1) Permitted GFA (sq.m.)		85,000	391,000	50,000
(2) Adopted unit rate (RMB/ sq.m.)		280	240	290
(3) Discount factor ¹		96.4%	95.7%	99.8%
(4) Value of the land (RMB'000)	(1) x (2) x (3)	22,837	89,812	14,436

* Figures above are subject to rounding.

Note:

- 1) As the adopted comparable unit rates represent only the price of new land use rights with minimal amortization, discount factors are necessary to adjust for the remaining tenures of the subject land as at the Valuation Date. The discount factors are derived by making reference to the Above-5-Year Commercial Lending Rate in China as at the date of the valuation.

Based on the above analysis, the total fair value of the Land Use Rights is approximated to RMB127,085,000 as at the Valuation Date.

ADDENDUM III – STAFF BIOGRAPHY

Damon S.T. Wan, CFA, FRM, MRICS

Founding Partner

Mr. Damon S.T. Wan is a CFA Charterholder, a Certified FRM and a member of Royal Institution of Chartered Surveyors. Mr. Wan has been working in the professional valuation field since 2008. He is experienced and specialized in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing.

Willy T.Y. Yu, CESGA

Associate Director

Mr. Willy T.Y. Yu is a Certified ESG Analyst and has been working in the banking and financial industry since 2014. He possesses experience in the aspects of corporate credit risk, cash trading, business valuation and ESG analysis.

Stella S.Y. Lam, CFA

Manager

Ms. Stella S.Y. Lam is a CFA Charterholder and has been working in the valuation industry since 2016. She is experienced in intangible assets, financial instruments and business valuation.

- END OF REPORT -