

The following is the text of a report dated 24 May 2024 prepared for the purpose of incorporation into this circular received from Roma Appraisals Limited in connection with its opinion on the market value of 43.29% equity interest in the Target Group as at 30 November 2023.



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24 May 2024

V.S. International Group Limited
40th Floor, Jardine House,
1 Connaught Place,
Central, Hong Kong

Case Ref: KY/ATBVRE9046/DEC23/FW

Dear Sir/Madam,

Re: Business valuation for V.S. International Group Limited

In accordance with the instructions from V.S. International Group Limited (hereinafter referred to as the “**Company**”) to us to conduct a valuation of VS Industry Vietnam Joint Stock Company and its subsidiary VS Technology Company Limited (hereinafter referred to as the “**Target Group**”), we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the Target Group as at 30 November 2023 (hereinafter referred to as the “**Date of Valuation**”).

This report states the purpose of valuation, scope of work, economic overview, industry overview, overview of the Target Group, basis of valuation, investigation, valuation methodology, major assumptions, information reviewed, limiting conditions and remarks, and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as “**Roma Appraisals**”) acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than 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. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by management of the Company, management of the Target Group and/or their representative(s) (together referred to as the “**Management**”).

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

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.

In applying these projections to the valuation of the Target Group, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized. In case of any change in the assumptions and projections, our opinion of value may vary materially.

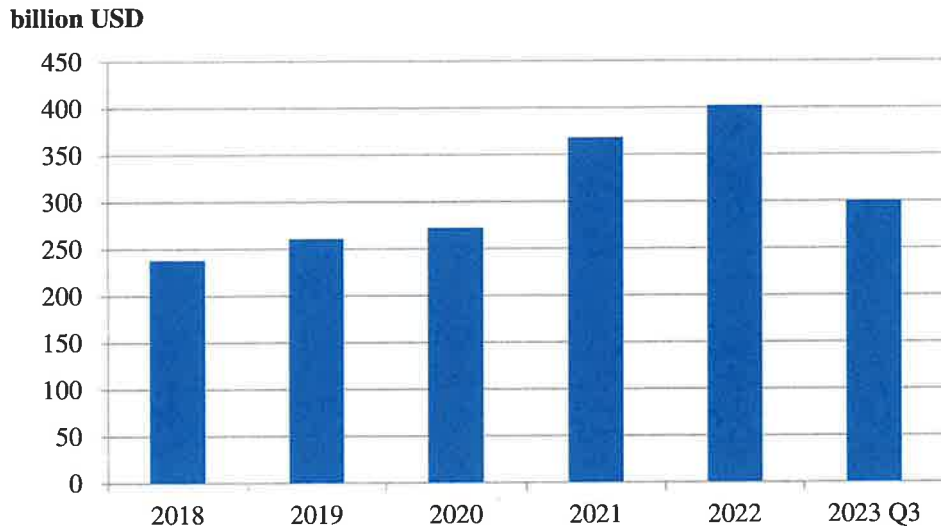
3. ECONOMIC OVERVIEW

3.1 Overview of the Economy in Vietnam

According to the General Statistics Office of Vietnam, the nominal gross domestic product (“**GDP**”) of Vietnam in 2023 Q3 was USD299 billion, a year-over-year nominal increase of 4.22% compared to 2022 Q3. Vietnam’s shift from a centrally planned to a market economy has transformed the country from one of the poorest in the world into a lower middle-income country. Vietnam now is one of the most dynamic emerging countries in the East Asia region.

Over the past five years from 2018 to 2022, compound annual growth rate of Vietnam’s nominal GDP was 13.98%. An upward trend of Vietnam’s nominal GDP was observed from 2018 to 2022. Figure 1 illustrates the nominal GDP of Vietnam from 2018 to 2023 Q3.

Figure 1 - Vietnam's Nominal GDP from 2018 to 2023 Q3



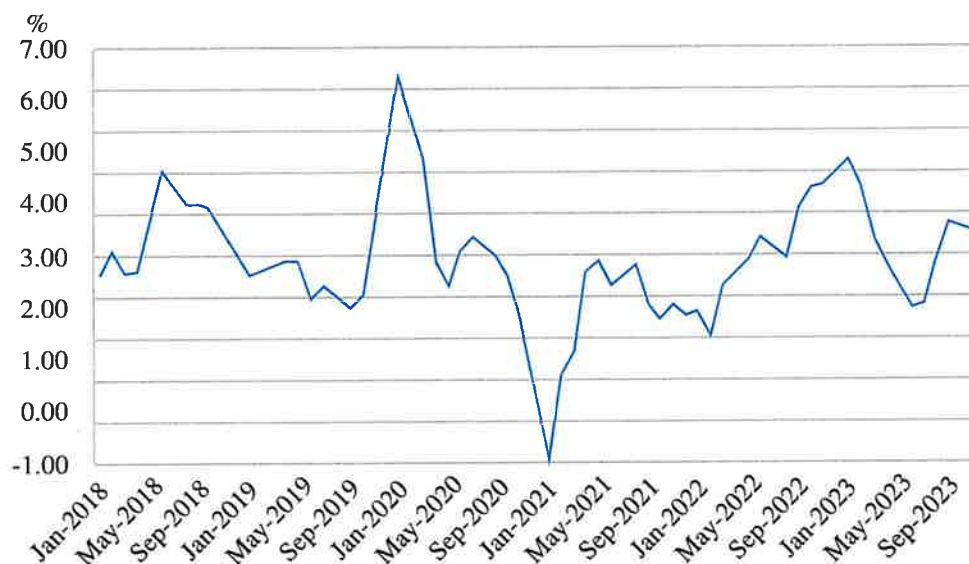
Source: General Statistics Office of Vietnam

3.2 Inflation in Vietnam

According to the Focus Economics, consumer price inflation in Vietnam averaged 3.2% in the ten years to 2022, above the Asia-Pacific regional average of 2.1%. According to the General Statistics Office of Vietnam, the year-over-year change in consumer price index (“CPI”) demonstrated an uptrend trend from 2018 and reached its peak at 6.43% in January 2020. Yet, the year-over-year change in CPI fall from 2020 to 2021, it significantly decreased down to -0.97% in January 2021.

In 2021, the year-over-year change in CPI rose back to the average at 2.7% in April, then keep in a stable changes around 2%. In 2022, the year-over-year change in CPI increased from 1.94% in January to 4.55% in December. In 2023, the year-over-year change in CPI rose to 4.89% in January and dropped to 3.45% in November. Figure 2 shows the year-over-year change in CPI of Vietnam from January 2018 to November 2023.

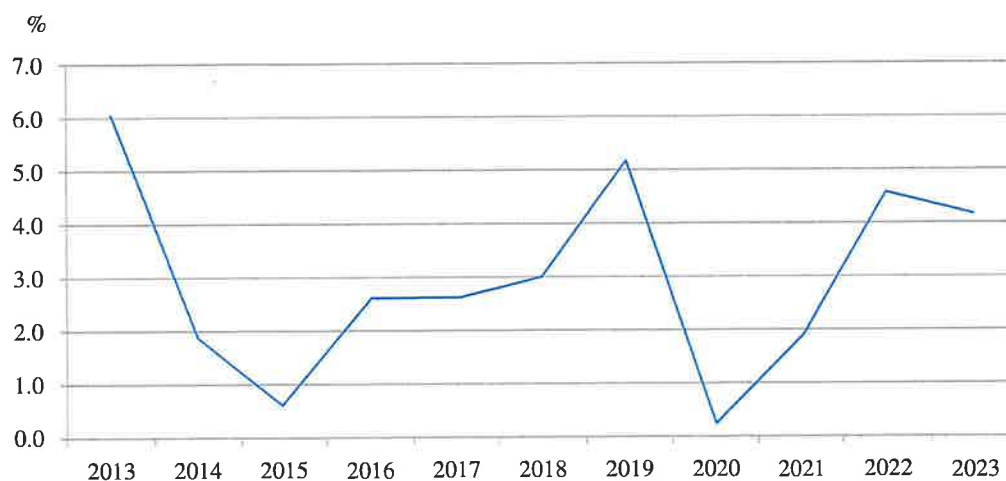
Figure 2 - Year-over-year Change in Vietnam's CPI from January 2018 to November 2023



Source: Bloomberg

Vietnam's inflation rate was volatile during the past decade. According to the IMF, The inflation rate dropped from 6.0% in 2013 to 0.6% in 2015. It demonstrated an uptrend trend from 2.6% in 2016 to 5.2% in 2019, then significantly decreased to 0.2% in 2020 due to outbreak of Covid-19. There was an upward trend in the yearly inflation rate in Vietnam from 2020 to 2022. The yearly inflation rate in Vietnam's is 4.6% in 2022. According to IMF's forecast, the long-term inflation rate of Vietnam is expected to be around 3.39%. Figure 3 shows the historical trend of Vietnam's inflation rate from 2013 to 2023.

Figure 3 - Vietnam's Inflation Rate from 2013 to 2023



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1 Overview of Plastics Injection Molding Industry

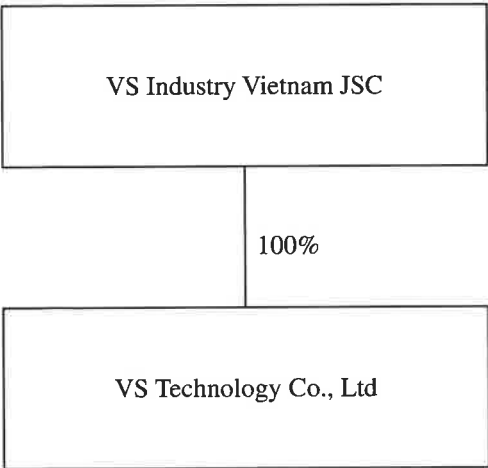
According to Acumen Research and Consulting, the global plastic injection molding market size accounted for USD 271.6 billion in 2021, with more than 45% of the market shares coming from the Asia-Pacific region. The global market size is expected to reach USD 419.1 billion by 2030, with a CAGR of 5% from 2022 to 2030. The major factors driving the demand for injection molding in the market are the increasing usage in automotive applications and the growing demand from the packaging industry. Additionally, increased consumer goods and electronics demand is anticipated to strengthen this demand further.

Regarding the application landscape, the packaging segment dominated the market and accounted for the largest revenue shares in 2021 according to Straits Research. This demand is supported by continued economic expansion and acceleration in the e-commerce and FMCG sectors. Moreover, injection-molded plastics hold immense potential, particularly in the medical and automotive industry. The industry is expected to witness the highest growth in the medical devices and components sector. Optical clarity, biocompatibility, and cost-effective production methods are expected to drive demand from the medical industry.

5. OVERVIEW OF THE TARGET GROUP

The Target Group is principally engaged in plastic injection. The Target Group manufacturing spare parts, plastics molded machines with high precision used for direct or indirect exporting. The Target Group also assembling and trading electric products and plastic products. Figure 4 shows the group chart of the Target Group.

Figure 4 - Group Chart of the Target Group



6. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2022, **market value** is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

7. INVESTIGATION

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Target Group. In addition, we have made relevant inquiries and obtained further information as we considered necessary for the purpose of the valuation.

We have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. We have also consulted other sources of financial and business information. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Group as provided by the Management to a considerable extent.

The valuation of the Target Group requires consideration of all pertinent factors, which may or may not affect the operation of the business. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Target Group;
- The financial information of the Target Group;
- The business plan of the Target Group as provided by the Management;
- The business risks of the Target Group such as the ability in maintaining competent technical and professional personnel; and
- Investment returns of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Target Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. 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 practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature 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 for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values 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.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value 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.

8.3 Asset-Based Approach

The Asset-Based 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 to the value of its invested capital ("**equity and long term debt**"). 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 operation, their sum equals the value of the business entity.

8.4 Business Valuation

In the process of valuing the Target Group, we have taken into account the operations and the nature of the industry of the Target Group.

The Income-Based Approach was not adopted because there is no financial forecast for more than one year with concrete business plan could be obtained from the Management of the Target Group for valuation purpose. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the major operating business of the Target Group and therefore it could not reflect the market value of the major operating business of the Target Group. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of the Target Group.

By adopting the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales, price-to-earnings and price-to-book multiples. The price-to-book multiples cannot reflect the future earnings and growth potentials of the Target Group and hence they were not adopted. The price-to-sales multiples were not adopted because they could not fully capture the cost structure of the Target Group. Therefore, we have adopted the price-to-earnings ("P/E") multiple as we considered it as the most appropriate multiple in calculating the market value of the Target Group.

We adopted several listed companies with similar business nature and operations similar to those of the Target Group as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

1. The companies have more than 50% revenues attributable to the manufacturing of the plastic moulded products¹;
2. The companies have positive profit margin ratios from the latest financial year ended nearest or as at the Date of Valuation²;
3. The companies with P/E ratios fall outside one standard deviation of the mean would be considered as the outliers and excluded³;
4. The companies have sufficient listing and operating histories more than 3 years⁴; and
5. The financial information of the companies is available to the public⁵.

Note:

1. The Target Group is principally engaged in the manufacturing of plastic moulded products. It is understood that the comparable companies may operate other businesses. Therefore, the companies that have more than 50% of revenues attributable to the relevant business are deemed to have a similar business nature to the Target Group.
2. The net profits of the Target Group was positive for the year ended as at the Date of Valuation. Hence, the positive profit margin ratios of the companies have similar financial performance with the Target Group for operation prospective.
3. As our normal practice of excluding outliers, we normally develop a range of one standard deviation of the mean and excluded the comparable companies fall outside this range. We also applied this normal practice in this case.

4. In order to screen for comparable companies with prices that were less volatile and could reflect their values, the comparable companies being listed over 3 years were expected to help achieving the filtering object.
5. The information of the comparable companies could be accessible by us and other parties. They also could be cross checked by the readers and reviewers.
6. Business location is not included as one of the selection criteria as the business nature and financial performance of comparable companies are the primary considerations. It is also noted that most of the business locations of the selected companies are located in developing countries which is comparable to the Target Group.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description	Principal Business Location	Market Capitalization (USD million)	Net Profit Margin Ratio	Percentage of Revenue Attributable to the Relevant Business
National Plastic Technologies Ltd	NAPT.IN	India	National Plastic Technologies Ltd manufactures plastic products. The company manufactures moulded plastic products, primarily components for automobiles, computer peripherals, and consumer durables.	India	23.25	2.93%	100.00%
Tian Chang Group Holdings Ltd	2182.HK	Hong Kong	Tian Chang Group Holdings Ltd manufactures plastic products. The company produces plastic injection, compression, and extrusion moulds. The company markets its products in Hong Kong and China.	Netherlands	38.11	5.15%	53.37%
Coral Products PLC	CRUL.LN	London	Coral Products PLC manufactures plastic injection mould products for the media, food, recycling, and other industries. The company produces blown bottles and tubs, caps and closures, rigid food packaging, library case packaging for disc based recorded media (CD & DVD), and recycling solution containers.	United Kingdom	14.63	4.38%	100.00%
TK Group Holdings Ltd	2283.HK	Hong Kong	TK Group Holdings Ltd manufactures plastic products and components. The company engages in the design and fabrication of plastic injection molds and the mechanical design and manufacturing of plastic components.	China	134.43	6.39%	100.00%
Yusei Holdings Ltd	96.HK	Hong Kong	Yusei Holdings Ltd designs, develops, and fabricates precision plastic injection molds and plastic components.	China	42.38	2.13%	83.33%
Chen Hsong Holdings	57.HK	Hong Kong	Chen Hsong Holdings, through its subsidiaries, manufactures and sells plastic injection moulding machines and related products.	China	117.06	5.04%	85.19%

Company Name	Stock Code	Listing Location	Business Description	Principal Business Location	Market Capitalization (USD million)	Net Profit Margin Ratio	Percentage of Revenue Attributable to the Relevant Business
Tensho Electric Industries Co Ltd	6776.JP	Japan	Tensho Electric Industries Co Ltd manufactures plastic moldings for consumer electronics, such as TV, VCR, Stereo, and auto parts. The company also manufactures other plastic products such as plastic containers for industrial use.	Japan	47.87	5.09%	94.68%

Source: Bloomberg

The P/E multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	P/E Multiple
National Plastic Technologies Ltd	NAPT.IN	30.36
Tian Chang Group Holdings Ltd	2182.HK	3.82
Coral Products PLC	CRU.LN	9.77
TK Group Holdings Ltd	2283.HK	4.70
Yusei Holdings Ltd	96.HK	4.66
Chen Hsong Holdings	57.HK	8.68
Tensho Electric Industries Co Ltd	6776.JP	7.82
	Median	7.82

The P/E multiple adopted was the median of the P/E multiples of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. Then we obtained the estimated market value of the Target Group as at 30 November 2023 by applying the P/E multiple adopted to the estimated net profit of the Target Group of USD3,404,914 contributable to the trailing 12-month period ended 30 November 2023. The market value of the Target Group in minority basis was then arrived by adjusting with the non-operating assets, the non-operating liabilities and the marketability discount.

Note:²¹

The selection of National Plastic Technologies Ltd satisfied all the selection criteria mentioned above including within the range of one standard deviation of the mean. Although the P/E multiple of the company was relatively high, the median of the P/E multiple could minimize the impact of relatively high and low P/E ratios.

8.5 Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With

reference to the result of the restricted stock study published in “Stout Restricted Stock Study 2023” by Stout Risius Ross, LLC, a discount for lack of marketability of 15.70% was adopted in arriving at the market value of the Target Group as at the Date of Valuation.

8.6 Calculation Details

The detailed calculation in arriving at the market value of the Target Group was illustrated as below:

Estimated Net Profit as at the Date of Valuation (USD)	3,404,914
<i>Multiplied by:</i> Median of P/E Multiple	<u>7.82</u>
Market value of 100% equity interests in the Target Group (in Minority Basis) before adjustments on cash, debt, non-operating assets and non-operating liabilities (USD)	26,633,300
<i>Add:</i> non-operating assets (USD)	805,356
<i>Less:</i> non-operating liabilities (USD)	<u>(446,605)</u>
Market value of 100% equity interests in the Target Group (in Minority Basis) before adjustment on Marketability Discount	26,992,051
Adjustment on marketability discount	
<i>Multiplied by:</i> adjustment for marketability discount	<u>(1-15.70%)</u>
Market value of 100% equity interests in the Target Group (in Minority Basis) (USD)	22,754,299
<i>Multiplied by:</i> USDKHK exchange rate	<u>7.8104</u>
Market value of 100% equity interests in the Target Group (in minority basis) (HKD)	177,720,175
Equity interests held by the Company	<u>43.29%</u>
Market value of 43.29% equity interests in the Target Group (in minority basis) (HKD)	76,935,064
Market value of 43.29% equity interests in the Target Group (in minority basis) (HKD) (Rounded)	77,000,000

Note: Total figures may not add up due to rounding.

9. MAJOR ASSUMPTIONS IN THE VALUATION

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The audited consolidated financial statements of the Target Group for the period from 1 December 2022 to 30 November 2023 could reasonably represent the Target Group’s financial positions;

- As advised by the Management, deferred tax assets of USD805,356 on Target Group's audited consolidated financial statements dated 30 November 2023 were non-operating assets of Target Group, and the book values of the non-operating assets were assumed to be equal to their market values;
- As advised by the Management, amount due to the ultimate holding company of USD446,605 on Target Group's audited consolidated financial statements dated 30 November 2023 were non-operating liabilities of Target Group, and the book values of the non-operating liabilities were assumed to be equal to their market values;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industries in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and
- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Target Group. The factors considered included, but were not necessarily limited to, the following:

- Audited consolidated financial statements of the Target Group for the period ended 30 November 2023;
- Audited consolidated financial statements of the Target Group for the year ended 31 December 2022;
- Historical operational information of the Target Group;
- The nature and background of the Target Group; and
- Economic outlook in Vietnam.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

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

We would particularly point out that our valuation was based on the information such as the company background and business nature of the Target Group provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. 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 to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the management of the Target Group is competent and perform duties under the company regulation. Also, ownership of the Target Group was in responsible hands, unless otherwise stated in this report. The quality of the management of the Target Group may have direct impact on the viability of the business as well as the market value of the Target Group.

We have not investigated the title to or any legal liabilities of the Target Group and have assumed no responsibility for the title to the Company appraised.

Our conclusion of the market value was 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. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content 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.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Target Group until all professional fee has been paid in full.

12. REMARKS

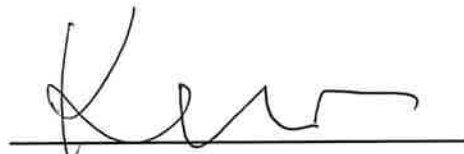
Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Group and their associated companies, or the values reported herein.

13. OPINION OF VALUE

Based on the investigation stated above and the valuation method employed, the market value of 43.29% equity interests in the Target Group as at the Date of Valuation, in our opinion, was reasonably stated as **HKD77,000,000 (HONG KONG DOLLARS SEVENTY SEVEN MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited



Kenny J T Li
CFA, CPA(HK), ICVS
Director

Note: Mr. Kenny Li is the director of Business Valuation in Roma Appraisals Limited. Kenny is a member of CFA Institute, a member of Hong Kong Institute of Certified Public Accountants and an international certified valuation specialist of International Association of Certified Valuation Specialists. Kenny has over 10-year experience in valuation and advisory services in Hong Kong and PRC mainland.