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**Appraisal Report on Shareholders' Equity Value for  
Yorkshine New Material (Taizhou) Limited**

Zhengxing Asset Appraisal No. 015 (2020)

Jiangsu Zhengxing Land & Real Estate Asset Appraisal Consulting Limited

May 1, 2020

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# **Appraisal on Shareholders' Equity Value for Yorkshine New Material (Taizhou) Limited**

## **General Catalogue**

Volume I Appraisal Report on Shareholder's Equity Value for Yorkshine New Material (Taizhou) Limited

Volume II Appraisal Statements on Shareholder's Equity for Yorkshine New Material (Taizhou) Limited

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## Volume I

# Appraisal Report on Shareholders' Equity Value for Yorkshine New Material (Taizhou) Limited

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## Statement

### **Yorkshine New Material (Taizhou) Limited:**

Jiangsu Zhengxing Land & Real Estate Asset Appraisal Consulting Limited has accepted the entrustment from Yorkshine New Material (Taizhou) Limited to conduct an appraisal for 100 percent shareholders' equity in Yorkshine New Material (Taizhou) Limited on the appraisal base date of January 31, 2020, and issues the following statement:

1. The Client or Intended User of this appraisal report shall use the report in accordance with laws, administrative regulations and the stated application scope; if the Client or Intended User of this appraisal report uses the report in violation of foregoing rules, appraisal agency and professionals shall not be held responsible.

2. This appraisal report is only for use by the Client and Intended User set forth in the engagement letter and prescribed by laws and administrative regulations; any other agency or individual cannot be the user of this appraisal report.

3. Appraisal agency and professionals prompt that the user shall have a correct understanding on appraisal results. As the appraised value is not technically identical to the true value of appraisal object, appraisal results shall not be regarded as a guarantee for appraisal object to achieve appraised value.

4. Appraiser has no existing/expected interests with appraisal object, no personal relationship with the Client and relevant parties, no prejudice against the Client and relevant parties.

5. Analyses and results conform to principles of independence, objectivity, and fairness, and are shown to be true under the appraisal assumptions and constraints set in the report.

6. Appraisal results are valid only by appraisal base date stated in the report. The user shall use this appraisal report reasonably while considering the asset status and market changes after the base date.

7. It is the responsibility of appraiser to conduct valuations on appraisal object and give professional comments while complying with relevant laws, regulations, and appraisal

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guidelines; It is the responsibility of the Client or parties concerned to provide necessary information and ensure the authenticity, legality, and completeness of the provided information, as well as use the report in an appropriate manner.

8. Appraiser shall pay attention to the legal ownership of appraisal object but makes no guarantee on the legal ownership of appraisal object in any form.

9. The application of this report is limited to stated appraisal purposes. Appraiser with signature to the appraisal report and the appraiser agency where appraiser serves assume no responsibility for any consequences caused by improper use.

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## Abstract of Appraisal Report

Jiangsu Zhengxing Land & Real Estate Asset Appraisal Consulting Limited has accepted the entrustment of Yorkshine New Material (Taizhou) Limited (hereinafter referred to as “the Client”) to conduct an appraisal of fair market value for 100 percent of shareholders’ equity at Yorkshine New Material (Taizhou) Limited by the base date of appraisal - January 31, 2020.

As of January 31, 2020, the base date of appraisal, the book value of total assets at Yorkshine New Material (Taizhou) Limited is 319.517 million yuan, the appraised value is 323.7993 million yuan, with an increase of 4.2823 million yuan and an appreciation rate of 1.34%; the book value and appraised value of total liabilities both stand at 366.982 million yuan; the book value of net assets is -47.465 million yuan, the appraised value is -43.1827 million yuan, with an increase of 4.2823 million yuan and an appreciation rate of 9.02%.

In performing valuations, we follow the principles of independence, objectivity, scientificity, professionalism, as well as other principles on general fairness. With given legal basis for appraisal, we conduct on-site survey, photographing, data review, market research, and relevant inquiry. Multiple approaches are adopted in the appraisal of fair market value for total assets at Yorkshine New Material (Taizhou) Limited as of the appraisal data on January 31, 2020.

### Asset Appraisal Results

Unit: ten thousand yuan

| Item |                              | Book Value | Appraised Value | Variation | Appreciation Rate |
|------|------------------------------|------------|-----------------|-----------|-------------------|
|      |                              | A          | B               | C=B-A     | D=C/A×100%        |
| 1    | Current assets               | 10,547.12  | 10,049.65       | -497.47   | -4.72             |
| 2    | Non-current assets           | 21,404.58  | 22,330.28       | 925.70    | 4.32              |
| 3    | Long-term equity investments | -          | -               | -         | -                 |

| Item |  | Book Value       | Appraised Value  | Variation     | Appreciation Rate |
|------|--|------------------|------------------|---------------|-------------------|
|      |  | A                | B                | C=B-A         | D=C/A×100%        |
| 4    | Investment properties                    | -                | -                | -             | -                 |
| 5    | Fixed assets                             | 14,633.02        | 15,558.72        | 925.70        | 6.33              |
| 6    | Construction in progress                 | 3,612.14         | 3,612.14         | -             | -                 |
| 7    | Intangible assets                        | 3,159.41         | 3,159.41         | -             | -                 |
| 8    | Long-term prepaid expenses               | -                | -                | -             | -                 |
| 9    | <b>Total Assets</b>                      | <b>31,951.70</b> | <b>32,379.93</b> | <b>428.23</b> | <b>1.34</b>       |
| 10   | Current liabilities                      | 22,251.51        | 22,251.51        | -             | -                 |
| 11   | Non-current liabilities                  | 14,446.69        | 14,446.69        | -             | -                 |
| 12   | <b>Total liabilities</b>                 | <b>36,698.20</b> | <b>36,698.20</b> | <b>-</b>      | <b>-</b>          |
| 13   | <b>Net Assets (Shareholders' equity)</b> | <b>-4,746.50</b> | <b>-4,318.27</b> | <b>428.23</b> | <b>9.02</b>       |

The appraisal results are made without consideration given to possible mortgage or guarantee matters, or the impact of additional price paid for special transaction. Meanwhile, the results do not consider the abnormal changes in national macroeconomic policies, and the impact of natural force or force majeure on asset value.

If the information provided by Yorkshine New Material (Taizhou) Limited is found incomplete or contains false data, all consequences arising therefrom shall be borne by the entity that issues the information.

The appraisal results are subject to appraisal purposes and other restrictions, valid within one year from the appraisal base date.

The above content is extracted from the asset appraisal report. To understand the overall situation of this project, please read the full report in detail.

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Appraisal agency:

Jiangsu Zhengxing Land & Real Estate Asset Appraisal Consulting Limited

Legal representative of appraisal agency:

Asset appraiser:

Asset appraiser:

May 1, 2020



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# Appraisal Report on Shareholders' Equity Value for Yorkshine New Material (Taizhou) Limited

Su Tongfang [2019] (Taizhou Real Estate) (Consult.) No.0008

Jiangsu Zhengxing Land & Real Estate Asset Appraisal Consulting Limited has accepted the entrustment of Yorkshine New Material (Taizhou) Limited to conduct an appraisal of value for net assets (shareholders' equity) through publicly recognized assets appraisal methods and in accordance with national regulations on asset appraisal and principles of objectivity, independence, scientificity and professionalism (For details, please see: Assets-Inventory Statements). In accordance with necessary appraisal procedures, our appraisers conduct on-site survey, photographing, data review, market survey and professional inquiry on the entrusted assets, and place a fair market valuation on the entrusted assets as of the appraisal data on January 31, 2020. The asset appraisal details and results are reported as follows:

## 1. Client and Intended User of Appraisal Report

### (1) Users of appraisal report

Client: Yorkshine New Material (Taizhou) Limited

Intended User: this appraisal report may only be used by the Client and Intended Users (tax authorities concerned) agreed in the engagement letter, except as otherwise provided by laws and regulations.

### (2) Client profile

Company Name: Yorkshine New Material (Taizhou) Limited

Address: Chaoyang Road East, Daduo Town, Xinghua, Jiangsu, China

Unified Social Credit Code: 91321200570380789F;

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Type: Limited liability company (Sino-foreign JV)

Legal representative: Zhang Xing

Date of establishment: March 17, 2011

Business scope:

Production of metal packaging materials;

Wholesale and imports of metallurgy and steel equipment, rubber & plastic products, hardware & electrical equipment, mechanical & electrical products, graphene coating products, copper & aluminum plates, precious metals, metal products, steel and iron ore raw materials, and chemical products (excluding hazardous chemicals);

It does not involve goods subject to the administration of state-run trade. If it involves goods subject to quota control or licensing administration, it shall apply for the required quota or license pursuant to the relevant state provisions.

Iron and steel factory technical services, technical consulting, technology development, software development technology import and export (excluding goods and technologies that are restricted or prohibited from import and export by the state).

If projects are subject to approval according to law, relevant business activities can only be carried out after gaining approval by relevant authorities.

### (3) Asset owner profile

Company Name: Yorkshine New Material (Taizhou) Limited

Address: Chaoyang Road East, Daduo Town, Xinghua, Jiangsu, China

Unified Social Credit Code: 91321200570380789F;

Type: Limited liability company (Sino-foreign JV)

Legal representative: Zhang Xing

Date of establishment: March 17, 2011

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Business scope:

Production of metal packaging materials;

Wholesale and imports of metallurgy and steel equipment, rubber & plastic products, hardware & electrical equipment, mechanical & electrical products, graphene coating products, copper & aluminum plates, precious metals, metal products, steel and iron ore raw materials, and chemical products (excluding hazardous chemicals);

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Iron and steel factory technical services, technical consulting, technology development, software development technology import and export (excluding goods and technologies that are restricted or prohibited from import and export by the state).

If projects are subject to approval according to law, relevant business activities can only be carried out after gaining approval by relevant authorities.

## **2. Purpose of Appraisal**

The appraisal is to provide a reference on the value of all shareholder's equity at Yorkshine New Material (Taizhou) Limited.

One appraisal report may only be used for the sole appraisal purpose, and appraisal results serve for the sole appraisal purpose.

## **3. Scope and Object of Appraisal**

Appraisal scope includes all assets and liabilities of Yorkshine New Material (Taizhou) Limited. The book value of assets and liabilities are as follows:

Unit: yuan

|    | Item                                     | Book Value            | Notes |
|----|--|-----------------------|-------|
| 1  | Current assets                           | 105,471,151.75        |       |
| 2  | Non-current assets                       | 214,045,754.94        |       |
| 3  | Long-term equity investments             |                       |       |
| 4  | Investment properties                    |                       |       |
| 5  | Fixed assets                             | 146,330,214.00        |       |
| 6  | Construction in progress                 | 36,121,414.94         |       |
| 7  | Intangible assets                        | 31,594,126.00         |       |
| 8  | Land use rights                          | 31,594,126.00         |       |
| 9  | Long-term prepaid expenses               | -                     |       |
| 10 | Other non-current assets                 |                       |       |
| 11 | <b>Total Assets</b>                      | <b>319,516,906.69</b> |       |
| 12 | Current liabilities                      | 222,515,059.46        |       |
| 13 | Non-current liabilities                  | 144,466,917.65        |       |
| 14 | <b>Total liabilities</b>                 | <b>366,981,977.11</b> |       |
| 15 | <b>Net Assets (Shareholders' equity)</b> | <b>-47,465,070.42</b> |       |

The specific scope is based on the asset appraisal declaration form provided by Yorkshine New Material (Taizhou) Limited. Yorkshine New Material (Taizhou) Limited is responsible for the authenticity, accuracy, and completeness of the information provided, our responsibility is to provide references on the open market value of assets and liabilities.

#### 4. Value Type and Definition

Open market value is adopted in this appraisal. The appraisal results reflect the objective and reasonable value on assets in the open market on the base date of appraisal.

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Open market value is that, the parties of the transaction get payments by exchanging of assets or debts voluntarily; pursue their maximum interests; have relevant expertise and understand the transaction object; possess the necessary information; have sufficient time for bilateral transaction. And there is no additional bid arising from special interest of the buyer.

Open market value is the price at which the appraisal object is most likely to be traded under a set of assumptions.

## **5. Base Date of Appraisal**

In line with the agreement between the Client and the Agency, the base date of asset appraisal is January 31, 2020.

The base data of asset appraisal is the date on which the appraisal results hold up. Various pricing standards and bases in this appraisal are valid only by the base date of asset appraisal. The pricing standard in this appraisal is totally based on valid price standards on the base data of asset appraisal. Considering the constant changes in entrusted assets and external economic environment, the appraisal results vary on different base date of asset appraisal. With confirmation from the Client, the base date is set to help ensure that appraisal results may effectively serve the appraisal purpose, to reduce and avoid adjustments after the appraisal base date, to accurately define the appraisal scope, to accurately and efficiently check and verify assets, and to reasonably select basis for valuation.

## **6. Basis of Appraisal**

### **(1) Laws and regulations**

- 1) *Asset Appraisal Law of the People's Republic of China*, adopted at the 21st Session of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on July 2, 2016;
- 2) *Company Law of the People's Republic of China*, adopted at the 6th Session of the

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Standing Committee of the Twelfth National People's Congress of the People's Republic of China on December 28, 2013;

- 3) *Urban Real Estate Administration Law of the People's Republic of China*, adopted on July 5, 1994;
- 4) *Guiding Opinions on Asset Appraiser's Focus on Legal Ownership of Appraisal Object*, Chinese Institute of Certified Public Accountants, 2003.

## **(2) Appraisal standards**

- 1) *Standards for the Appraisal of Assets - Basic Standards*, No. 43 [2017] of the Ministry of Finance of the People's Republic of China;
- 2) *Professional Ethics for the Appraisal of Assets*, No. 30 [2017] of China Appraisal Association;
- 3) *Standards for the Appraisal of Assets – Asset Appraisal Entrustment Contract*, No. 33 [2017] of China Appraisal Association;
- 4) *Standards for the Appraisal of Assets – Asset Appraisal Procedures*, No. 31 [2017] of China Appraisal Association;
- 5) *Standards for the Appraisal of Assets – Asset Appraisal Files*, No. 34 [2017] of China Appraisal Association;
- 6) *Standards for the Appraisal of Assets – Asset Appraisal Report*, No. 32 [2017] of China Appraisal Association;
- 7) *Standards for the Appraisal of Assets – Real Estate*, No. 38 [2017] of China Appraisal Association;
- 8) *Standards for the Appraisal of Assets – Machinery and Equipment*, No. 39 [2017] of China Appraisal Association;
- 9) *Guiding Opinions on Types of Value in Asset Appraisal*, No.47 [2017] of China Appraisal Association;

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- 10) *Guiding Opinions on Business Quality Control of Asset Appraisal Institutions*, No.46 [2017] of China Appraisal Association;
  - 11) *Guiding Opinions on Legal Ownership of Asset Appraisal Object*, No.48 [2017] of China Appraisal Association;

**(3) Basis of asset ownership**

- 1) Purchase contract or invoice of important assets;
- 2) Proof of ownership of other assets

**(4) Basis of pricing**

- 1) Notice of the Ministry of Finance on Issuing Financial Rules for Capital Construction (No.394 [2002]);
- 2) *LPR Rate of People's Bank of China*;
- 3) Notice of the State Planning Commission and Ministry of Construction on Issuing Regulations on Charges for Engineering Investigation and Design (No.10 [2002]);
- 4) Supplementary Notice of the State Planning Commission and Ministry of Construction on Issues Concerning the Regulations on Charges for Engineering Investigation and Design Fees (No. 1153, [2002]);
- 5) Notice of the National Development and Reform Commission and the Ministry of Construction on Issuing the Regulations on Construction Engineering Supervision and Related Service Charge Management (No. 670 [2007]);
- 6) Interim Measures of Charge Management of Tendering Agency, issued by the National Development and Reform Commission (No. 1980 [2002]);
- 7) Notice of Jiangsu Province Price Bureau on Issuance of Interim Measures of Charge Management of Tendering Agency by the National Development and Reform Commission, No.4 [2003];

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- 8) Notice of State Planning Commission and State Environmental Protection Administration on Issues Relating to Standardizing Environmental Impact Consulting Fees, (No.125 [2002]);
  - 9) *Construction Engineering Consumption Quota in Jiangsu Province 2003*;
  - 10) *Construction Engineering Cost Estimate Index in Jiangsu Province*;
  - 11) *Construction Engineering Price List in Jiangsu Province-2006*;
  - 12) *Construction Engineering Cost and Project Composition Calculation Rules in Jiangsu Province-2006*";
  - 13) Others.

**(5) Other references**

- 1) *Common Data and Parameters Manual for Assets Appraisal*;
- 2) On-site survey records by appraisers and relevant inquiry materials
- 3) *Instrumentation Product Catalogue*;
- 4) Price information websites for mechanical and electrical products  
(<http://www.mepprice.com/>)
- 5) *hc360.com - Brochure on national computer market, office automation market, home appliance market, automobile market*;
- 6) Others.

**7. Methodology of Appraisal**

**(1) Appraisal of current assets**

- 1) Cash and cash equivalents

Count the cash, infer accuracy of the current book value by the base date of appraisal on the basis of count results and transaction records, and then determine the value with respect to the verified amount; covert foreign currency cash into Renminbi at national exchange rate on



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the base date in valuation.

Verifies bank deposits by checking book value, bank statements, inquiry letters, bank reconciliation statements to determine the value. Deposits in foreign currency account shall be converted into Renminbi at the national exchange rate on the base date in valuation.

2) Receivables

Receivables refer to account receivable, prepaid accounts, and other receivables. Appraiser shall confirm the transaction amount, verify original vouchers, sales contracts, warehouse receipts, etc. to learn the occurrence time of transactions, payment collection progress, debtor's fund or credit position, and then determine the value with respect to estimated recoverable amount from each payment. Receivables in foreign currency account shall be converted into Renminbi at the national exchange rate on the base date in valuation.

3) Inventory takeover

Inventories included in the appraisal scope are raw materials, finished products (inventory goods), unfinished products, and low-value consumables in use. In accordance with inventory declaration form provided by the Client, we verify relevant purchase invoices and accounting vouchers, and conduct spot checks on them. Meanwhile, we conduct on-site surveys to understand the actual warehouse storage and internal control system.

(a) Appraisal of raw materials including auxiliary materials in the production process, involving purchasing price, freight charge, etc. Appraiser shall review entry/exit inventory list and count records, then multiply the current market value by the verified amount, and add transportation and miscellaneous expenses, cost of wear and tear, acceptance/sorting for storage fees to value raw materials.

(b) Appraisal of finished products: The approach of market price is adopted in valuation of finished products. First, verify the actual number of finished products as of the appraisal base date with respect to inventory results and book records; second, understand the sales and stagnation situation of finished products through learning the

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sales market of relevant products and the Client's market share. Based on the investigation and analysis of the information provided by the Client, appraiser shall place a value on finished products which is equal to the total sales price after tax, minus sales expenses, taxes, and certain sales profits.

Appraised value = actual quantity × sales price after tax × (1- sales tax and surcharge rate - sales expenses rate - profit margin × income tax rate - profit margin × (1- income tax rate) × r)

Sales price after tax is determined according to the market price around the appraisal base date;

Product sales tax and surcharge rate refers to city planning tax and education surcharge calculated on the basis of value-added tax;

Sales expense rate is calculated on the average ratio of sales & management expenses to sales revenue;

Profit margin = gross profit / revenue;

Gross profit = total revenue - cost of goods sold (COGS) - sales taxes and surcharges - sales expenses

Income tax rate is based on the tax rate actually implemented by the Client;

r is a certain rate. Given that there is a certain amount of risk and a certain degree of uncertainty in future sales of finished products, risks may be determined according to the investigation by the base date and the sales realized after the base date. r is 0 for best-selling products, 50% for general sales products, and 100% for barely saleable products.

(c) Appraisal of unfinished products including raw materials used for production in each process. Appraiser shall understand the production process of products and cost

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accounting methods, go through the relevant vouchers, production cost breakdowns in accordance with the Client's cost accounting procedures, verify the rationality and accuracy of their accounting, then conduct spot checks on the products and checks completed inventory records. Appraiser shall conduct valuation on unfinished products with respect to the verified book value of cost of production.

(d) Appraisal of low-value consumables in use: Appraiser shall obtain the replacement price of the low-value consumables through inquiry, make a reasonable judgement on the newness rate after on-site survey. The value of low-value consumables in use equals full replacement cost multiplies newness rate.

## **(2) Appraisal of non-current assets**

Non-current assets refer to buildings, machinery, equipment, vehicles, electronics, construction in progress and intangible assets (land use rights).

### 1) Cost approach in valuation of buildings, construction in progress

In cost approach appraisal, the value of the building is equal to all expenses spent on constructing the building in the area where appraisal object is located, plus capital cost, less depreciation.

Value on building = (cost of construction + initial costs & other expense + capital cost )  
× newness rate × floor area

### 2) Cost approach in valuation of vehicles, machinery, equipment, electronics and other fixed assets

In accordance with the appraisal purpose, the principle of continuous usage, the characteristics of equipment, and the collected data of equipment, we adopt cost approach in valuation of vehicles, machinery, equipment, electronics, and other fixed assets.

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Appraised value = replacement price × newness rate

(a) Replacement price

The replacement price of equipment shall be determined based on the purchasing price of equipment while taking into account all costs of equipment under normal use (including purchasing price, freight and miscellaneous expenses, installation and commissioning fees, other engineering construction costs and capital costs, etc.

Replacement price = purchasing price (after tax) + freight and miscellaneous expenses + installation and commissioning fees + other costs + capital costs

For low-value electronic devices, the replacement price, as of the appraisal base date, is determined with respect to local market information and latest market prices stated on HC Business Information and so on. Given that manufacturers of low-value electronic devices provide free transportation and installation services, its replacement price equals purchasing price after tax.

Since the appraisal object is a general VAT taxpayer, the input VAT on fixed assets can be credited against the output tax by presenting special VAT invoice, special payment letter of import VAT, paying voucher for freight cost (combined, referred to as VAT credit certificates). Therefore, the purchasing price of machinery and equipment used in this appraisal is after tax.

(b) Determination of newness rate

Newness rate of level-I machinery and equipment

Straight-line approach is adopted in valuation of level-I equipment.

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$$N1 = (1 - \text{Practical Serviced Life} / \text{Economic Life}) \times 100\%$$

If the practical serviced life of large-value equipment surpasses its economic life, the estimated useful life shall be given to the equipment for calculation of newness rate N.

$$N = \text{estimated useful life} / (\text{practical serviced life} + \text{estimated useful life})$$

Straight-line method is adopted in valuation of general equipment with less value.

Newness rate of level-II electronic equipment

$$\text{Newness rate} = (1 - \text{practical serviced life} / \text{economic life}) \times 100\%$$

Or newness rate = [estimated useful life / (practical serviced life + estimated useful life)] × 100%

Do not calculate newness rate if electronic equipment is valued with respect to second-hand market value.

(c) Determination of appraised value

$$\text{Appraised value} = \text{replacement value} \times \text{newness rate}$$

### 3) Market comparison approach adopted in valuation of land use right

Market comparison approach is based on the principle of substitution, comparing the appraisal object with similar real estate that has been traded in the market during the appraisal period, appropriately adjusting the transaction price of similar real estate to value the land use right objectively and reasonably.

Market comparison approach formula:

$$\text{Appraisal target price} = \text{land plot price} \times 100/() \times ()/100 \times 100/() \times 100/()$$

The numerator of 1st term of the formula is 100. 100 is the situation index for transaction at normal price, or transaction at appraised price. Denominator is the situation index for transaction at the actual price.

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The denominator of 2<sup>nd</sup> term of the formula is 100. 100 is the situation index for transaction at the actual price. Numerator is the situation index for transaction at the appraised price on the date of valuation.

The numerator of 3<sup>rd</sup> term of the formula is 100. 100 is the situation index of geographic factors for appraisal object. Denominator is the situation index of geographic factors for comparative object.

The numerator of 4<sup>th</sup> term of the formula is 100. 100 is the situation index of individual factors for appraisal object. Denominator is the situation index of individual factors for comparative object.

### **(3) Appraisal of liabilities**

In the appraisal of liabilities, the amount of liabilities actually assumed by the Client, after review and verification, is taken as the appraised value of liabilities. For the appraisal of current and non-current liabilities, the adjusted value after review and verification of detailed statements provided by the Client is taken as the appraised value of liabilities.

## **8. Implementation Process of Appraisal**

We conduct an asset appraisal in accordance with national principles and regulations on asset appraisal with legal procedures and approached. Specific steps are as follows:

1) Accept the entrustment of the Client, determine the appraisal base date according to the nature of the economic behavior, clarify the appraisal purpose, scope, and objects. The Client and the Agency shall sign an engagement letter for the appraisal.

2) Set the appraisal base date and draw up an appraisal plan according to the appraisal purpose, scope, and objects.

3) Analyze and verify asset statements submitted by the Client. By the end of March 2020, accompanied by relevant personnel from the Client, appraiser visits the Client's

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company to conduct reconciliation of accounts and verification of accounts, and make sure assets included in the appraisal scope are consistent with the assets scope entrusted for appraisal. The appraisal team then applies scientific methods to value each item in line with appraisal methodology and actual situation.

4) Based on the content of asset statements, appraiser shall check related documents of assets for appraisal, inspect, record, and learn the operation and management status of the assets.

5) For the physical assets, appraiser shall make analysis and valuation according to the appraisal declaration form of the Client.

6) Carry out market research and inquiry according to the actual status of assets for appraisal. In line with given methods, appraiser shall place an estimated market value on various assets.

7) Analyze the appraisal results and write appraisal instructions.

8) Draft the asset appraisal report after listening to feedback from the Client. The report will be completed after third-level review by auditors at the appraisal agency.

## **9. Appraisal Assumptions and Constraints**

1) The appraisal results concluded in this report refer to the open market value of assets as of January 31, 2020. Open market value is that, in the competitive market, the parties of the transaction pursue their maximum interests; have relevant expertise and understand the transaction object; possess the necessary information; have sufficient time for bilateral transaction. The trading conditions are open and not exclusive. Therefore, the value formed or established on the open market is called the fair market value.

2) The appraisal is largely dependent on the relevant information provided by the Client as we as the audit report issued by Jiangsu Zhongtianchina Certified Public Accountants. The appraisal results are shown to be true on the premise that asset ownership documents

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(including certificates, accounting documents, and relevant explanatory materials), legal documents and descriptions are true, complete, legal, and valid.

3) In this appraisal, machinery and equipment for appraisal are well maintained, well operated, usable in remaining economic life, and without major quality problem.

4) In this appraisal, it is assumed that the information provided remains true and valid, and there is no dispute over property right and debts, and there is no circumstance where the judicial and administrative organs prohibit transactions.

5) The appraisal results do not take into account risks in future disposals, nor claims secured by mortgage and other priority rights of repayment.

6) The appraisal results do not take into account the debts already undertaken by the appraisal object and its operations, or the impact of contingent debts and operational decision-making errors or improper market operations on its value.

7) In this appraisal, it is assumed that there are no major changes in national macroeconomic policies and socio-economic environment in the region, no major changes in industry policies, management systems and related regulations; no major changes in tax policies and credit rates involved in operating businesses.

## **10. Appraisal Results**

As of January 31, 2020, the base date of appraisal, the book value of total assets at Yorkshine New Material (Taizhou) Limited is 319.517 million yuan, the appraised value is 323.7993 million yuan, with an increase of 4.2823 million yuan and an appreciation rate of 1.34%; the book value and appraised value of total liabilities both stand at 366.982 million yuan; the book value of net assets is -47.465 million yuan, the appraised value is -43.1827 million yuan, with an increase of 4.2823 million yuan and an appreciation rate of 9.02%.

In performing valuations, we follow the principles of independence, objectivity, scientificity, professionalism, as well as other principles on general fairness. With given legal



basis for appraisal, we conduct on-site survey, photographing, data review, market research, and relevant inquiry. Multiple approaches are adopted in the appraisal of fair market value for total assets at Yorkshine New Material (Taizhou) Limited as of the appraisal data on January 31, 2020.

### Asset Appraisal Results

Unit: ten thousand yuan

| Item |  | Book Value       | Appraised Value  | Variation     | Appreciation Rate% |
|------|--|------------------|------------------|---------------|--------------------|
|      |  | A                | B                | C=B-A         | D=C/A×100%         |
| 1    | Current assets                           | 10,547.12        | 10,049.65        | -497.47       | -4.72              |
| 2    | Non-current assets                       | 21,404.58        | 22,330.28        | 925.70        | 4.32               |
| 3    | Long-term equity investments             |                  | -                | -             |                    |
| 4    | Investment properties                    |                  | -                | -             |                    |
| 5    | Fixed assets                             | 14,633.02        | 15,558.72        | 925.70        | 6.33               |
| 6    | Construction in progress                 | 3,612.14         | 3,612.14         | -             |                    |
| 7    | Intangible assets                        | 3,159.41         | 3,159.41         | -             | -                  |
| 8    | Long-term prepaid expenses               |                  |                  |               |                    |
| 9    | <b>Total Assets</b>                      | <b>31,951.70</b> | <b>32,379.93</b> | <b>428.23</b> | <b>1.34</b>        |
| 10   | Current liabilities                      | 22,251.51        | 22,251.51        | -             | -                  |
| 11   | Non-current liabilities                  | 14,446.69        | 14,446.69        | -             |                    |
| 12   | <b>Total Liabilities</b>                 | <b>36,698.20</b> | <b>36,698.20</b> | <b>-</b>      | <b>-</b>           |
| 13   | <b>Net assets (Shareholder's equity)</b> | <b>-4,746.50</b> | <b>-4,318.27</b> | <b>428.23</b> | <b>9.02</b>        |

In the valuation of assets and liabilities of Yorkshine New Material (Taizhou) Limited with replacement value approach and market price approach, the estimated value of shareholders' equity increased 4.2823 million yuan compared with the verified book value with an appreciation rate of 9.02%.

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## **11. Notes on Special Matters**

1) In the case that the Client has any defect that may affect the estimated value of assets, if the Client has not given any special instruction on the defect, and appraiser may not be informed based on general experience, the appraisal agency and appraisers do not bear any relevant responsibilities.

2) The appraisal results, guided by the appraisal purpose, reflect the fair market value for the entrusted assets in the open market. The appraisal results were made without consideration given to possible mortgage or guarantee matters, or the impact of additional price paid for special transaction. Meanwhile, the results do not consider the abnormal changes in national macroeconomic policies, and the impact of natural force or force majeure on asset value. If any changes occur in above-mentioned conditions and the principle of continuous usage of assets, the appraisal results will turn to be invalid.

3) This appraisal was made under the principles of independence, objectivity, scientificity, and professionalism. There is no special interest between appraisers engaged in this appraisal and the Client. Appraiser pledges full efforts and abides by professional standards in the process.

4) This appraisal is based on the relevant information (including audit report) provided by the Client. The Client should be responsible for the authenticity, accuracy and legality of the relevant information provided, and bear the corresponding legal responsibility; Professional comments on the estimated value of assets are issued, requiring users' attention. If the information (including the audit report) provided by the Client is found incomplete or contains false data, all consequences arising therefrom shall be borne by the entity that issued the information.

## **12. Restrictions on Use**

1) This appraisal report is issued according to the purpose set in this appraisal. It only

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serves for appraisal purpose or purposes stated in the report. It cannot be used for any other purposes. We are not responsible for the consequences caused by use of this report in any other economic behavior.

2) If the client or intended user of this report fails to use the report in accordance with laws, administrative regulations, and the application scope specified in the report, the appraisal agency and professionals shall not be liable.

3) No other agency or individual can use this report except for the client and intended users agreed in the report or allowed by laws and administrative regulations.

4) User of the report shall have a correct understanding on appraisal results. As the appraised value is not technically identical to the true value of appraisal object, appraisal results shall not be regarded as a guarantee for appraisal object to achieve appraised value.

### **13. Date of Report**

This appraisal report was issued on May 1, 2020.

Appraisal agency:

Jiangsu Zhengxing Land & Real Estate Asset Appraisal Consulting Limited

Legal representative of appraisal agency:

Asset appraiser:

Asset appraiser:

May 1, 2020

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## **Commitment Letter of Asset Appraisal Agency and Signatory Appraiser**

### **Yorkshine New Material (Taizhou) Limited:**

Entrusted by your company, our agency has checked and verified all assets and liabilities related to all shareholders' equity and conducted an appraisal of fair market value for shareholders' equity as of January 31, 2020. On the premise that the assumptions set in this appraisal report are valid, and to the maximum extent of our cognition, we make the following commitments regarding our appraisal work and valuations:

- 1) The appraisal scope is consistent with the scope of assets declared by your company, without any repeat or omission;
- 2) We have conducted a reasonable ownership investigation and physical inspection and verification of the assets involved in this appraisal;
- 3) Selected data and materials for reference, to the maximum extent of our cognition, are available from legal sources;
- 4) Factors that may affect the valuation of entrusted assets have been properly considered within the maximum limit of our understanding;
- 5) Appraisal assumptions are reasonable, selected parameters are proper, report logic is clear and accurate;
- 6) The agency and appraisers serving at the agency have no interest relationship with the Client or parties concerned;
- 7) The appraisal was not interfered or affected by any person.

Certified Asset Appraiser:

Jiangsu Zhengxing Land & Real Estate Asset Appraisal Consulting Limited

May 1, 2020