

**Ad hoc announcement pursuant to Art. 53 LR**

**Ningbo Shanshan Co., Ltd.**

**Announcement on Assets Acquisition by Subsidiaries**

**Important Note:**

- A brief of the transaction: Shanjin Optoelectronics (Suzhou) Co., Ltd. (“Shanjin Suzhou”), a subsidiary of Ningbo Shanshan Co., Ltd. (the “Company”), and its wholly-owned subsidiary Shanjin Optoelectronics (Guangzhou) Co. Ltd. (“Shanjin Guangzhou”), intend to acquire the SP business and relevant assets (“SP business” refers to (1) special polarizer products for organic light-emitting diode (OLED) displays; and (2) the LCD polarizer products for automotive LCD business and used on the products of, or used by, Apple and/or its related parties) of LG CHEM, LTD. (“LG Chem”) in Mainland China, South Korea and Vietnam at an initial transfer price of RMB1,406,848,900, and the final price will be adjusted and determined based on the initial transfer price, normal inventory value, closing inventory value and other factors.

- The transaction does not constitute a connected transaction nor a major asset reorganization.

- Approval and other relevant procedures to which the implementation of the transaction is subject: the transaction has been considered and approved by the General Manager’s Office of the Company. According to the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the *Articles of Association of Ningbo Shanshan Co., Ltd.* and other relevant provisions, the transaction is not required to be submitted to the Board of Directors and the general meeting of the Company for consideration.

The transaction is subject to the antitrust review from the relevant national government authorities, and the transfer of SP-related intellectual property rights falling within the List of National Core Technologies of South Korea is subject to the approval from the Korean government, if any, and filings to the competent government authorities such as the MOFCOM and the NDRC of the PRC. As there

are uncertainties as to whether and when the relevant approvals and filings will be successfully completed, investors should be aware of relevant risks.

- Reminder of other risks: for the information on risk related to approval and transfer, risk related to valuation and goodwill impairment, risk related to high concentration of customers and exchange rate, risk related to relocation of production lines not as expected, consolidation and operation, please refer to “VI. Risks Reminder” for details.

### **I. Transaction Summary**

For a better product layout of the Company’s polarizer business and a faster shift of polarizer from LCD to LCD+OLED to constantly consolidate the Company’s position as a leader in global polarizer business, Shanjin Suzhou, a subsidiary of the Company, and its wholly-owned subsidiary Shanjin Guangzhou, intend to acquire the SP business and relevant assets of LG Chem in Mainland China, South Korea and Vietnam at an initial transfer price of RMB1,406,848,900, and the final price will be adjusted and determined based on the initial transfer price, normal inventory value, closing inventory value and other factors. Among them:

- (1) Shanjin Suzhou shall acquire the SP business held by LG Chem and its SP business-related intellectual property rights and accept LG Chem’s relevant personnel engaged in the SP business;
- (2) Shanjin Guangzhou shall acquire the SP business held by LG CHEM HAI PHONG VIETNAM CO., LTD. (“LG Vietnam”) and accept LG Vietnam’s relevant personnel engaged in the SP business;
- (3) Shanjin Guangzhou shall acquire the SP business held by LG Chem (Guangzhou) I&E Materials Co., Ltd. (“LG Guangzhou”) and accept LG Guangzhou’s relevant personnel engaged in the SP business;
- (4) Shanjin Suzhou shall accept relevant personnel engaged in the SP business of LG Chem (China) Investment Co., Ltd. (“LG China Investment”).

The transaction has been considered and approved by the General Manager’s Office of the Company and the SP Business Framework Agreement with LG Chem

and its relevant subsidiaries was signed on 27 September 2023. According to the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the *Articles of Association of Ningbo Shanshan Co., Ltd.* and other relevant provisions, the acquisition is not required to be submitted to the Board of Directors and the general meeting of the Company for consideration.

The transaction is subject to the antitrust review from the relevant national government authorities, and the transfer of SP-related intellectual property rights falling within the List of National Core Technologies of South Korea is subject to the approval from the Korean government, if any, and filings to the competent government authorities such as the MOFCOM and the NDRC of the PRC. As there are uncertainties as to whether and when the relevant approvals and filings will be successfully completed, investors should be aware of relevant risks.

## **II. Counterparty Introduction**

According to the public information available from the Internet, LG Chem, founded in 1947 and formerly known as Lucky Chemical Industries Corporation, went public in 1969 and is now a listed company on the Korea Stock Exchange (Code: 051910.KS). It is principally engaged in petrochemicals (including sustainable materials, new functional materials and etc.), advanced materials (separators, cathode materials and etc.) and life sciences (medicines for diabetes, growth hormones and medical aesthetics) and so on.

Relationship explanation: Pursuant to the relevant agreements under the Framework Agreement entered into between the Company and LG Chem in June 2020, at present, LG Chem nominally holds 15% equity interest in Shanjin Suzhou, a subsidiary of the Company (the Company plans to repurchase such part of equity interest in October 2023); LG Chem has business dealings with the Company's core businesses including polarizers and anode materials, and is an important business partner of the Company.

## **III. Basic Information of the Transaction Subject**

### **(I) Profile of the transaction subject**

The transaction subject refers to the SP business and relevant assets that are dispersed among the relevant operating entities of LG Chem, including (1) the SP business and relevant assets held by LG Chem and all intellectual property rights involved in the SP business; (2) the SP business and relevant assets held by LG Guangzhou; (3) the SP business and relevant assets held by LG Vietnam, among which, the fixed assets involved in the transaction subject are mainly two polarizer production lines (including front-end extension and back-end cutting, inspection and packaging) at LG Chem’s Ochang plant in South Korea and one polarizer production line for back-end cutting and inspection of LG Vietnam; and the inventories involved are mainly semi-finished products, finished products and raw materials.

Based on the Due Diligence (Draft) on the transaction subject issued by KPMG Samjong Accounting Corp., the auditor of the transaction, on 12 July 2023, the major financial information of the transaction subject on a consolidated basis for the last three years are as follows:

Unit: KRW million

<b>Items</b>	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>31 December 2022</b>
Total assets	122,715	147,375	138,582
Net assets	93,775	73,830	108,818
<b>Items</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Operating revenue	144,174	270,377	268,593
EBITDA	-39,301	-10,670	32,554

LG Chem guarantees that the transaction subject has clear property rights, and it is free from charges, pledges and any other circumstances restricting the transfer and not involved in litigation, arbitration matters or judicial measures such as seizure and freezing, nor any other circumstances preventing the transfer of ownership.

Pursuant to the relevant agreements under the Framework Agreement entered into between the Company and LG Chem in June 2020, the Company has a right of first refusal if LG Chem sells its SP business within ten years from the closing date of the Company’s acquisition of LG Chem’s LCD polarizer business and relevant assets in the PRC.

## **(II) Valuation and pricing of the transaction**

According to the *Valuation Report on the Value of the Asset Group Involved in the Proposed Acquisition of LGC's SP Business in Mainland China, South Korea and Vietnam by Shanjin Optoelectronics (Suzhou) Co., Ltd.* (Yinxin Zi Bao Zi (2023) No. 01048) issued by Yinxin Asset Appraisal Co., Ltd.: the valuation of the subject assets as at 31 December 2022 (the valuation benchmark date) was KRW251,000 million using the income approach. If translated based on the exchange rate on the valuation benchmark date, the valuation was USD199.05 million.

The transaction is a market-based acquisition, with its initial transfer price and its adjustment method being formed after negotiation between both parties based on the principle of fairness and reasonableness, taking into account a variety of factors such as the market size, technological advantages and industry barriers of the subject assets. The value-added ratio of the initial transfer price of the subject assets over its net book assets for the latest year (converted at the mid-rate of the RMB exchange rate in the inter-bank foreign exchange market on 30 December 2022 (RMB1 to KRW181.06)) is 134.08%.

#### **IV. Major Content of the Transaction Agreement**

(I) Contract parties: LG Chem, LG China Investment, LG Guangzhou and LG Vietnam as the vendors; Shanjin Suzhou and Shanjin Guangzhou as the purchasers.

(II) Transaction price: the initial transfer price totals RMB1,406,848,900, and the final price will be adjusted and determined based on the initial transfer price, normal inventory value, closing inventory value and other factors. The portion involving cross-border payment shall be paid in US dollars at the exchange rate of RMB to USD at the closing date.

(III) Payment arrangement: a bank guarantee shall be issued to the vendors within 20 working days after the signing of the SP Business Framework Agreement; the initial transfer price shall be paid in a lump sum at the closing date; and any excess over the final price shall be refunded while any shortfall from the final price shall be paid after the final price is determined according to the provisions for adjustments on the transfer price and within 10 working days after the completion of

relevant governmental procedures (if applicable) required for the settlement of the final price of the SP business.

(IV) Closing arrangement: both the vendors and the purchasers shall coordinate with each other to satisfy the relevant closing conditions as soon as possible and propose to complete the closing of relevant assets within 6 months from the date of signing of the SP Business Framework Agreement and shall not exceed the long stop date.

(V) Transfer of Employees: relevant transferors shall make commercial reasonable efforts to get ready for the transfer of their respective business personnel after LG China Investment has received the letter of guarantee, but in any event not later than 5 business days prior to the closing date, and relevant transferees shall accept the corresponding retained personnel.

## **V. Implications of Asset Acquisition on Listed Company**

According to Omdia data, LG Chem's SP business takes the lead in global market, with its polarizers for OLED televisions accounting for 40% of the total share in 2022, ranking second in the world, and polarizers for automotive displays accounting for 25% of the global market share, which has established long-term and stable partnerships with mainstream upstream and downstream customers around the world. Based on CINNO Research, the total growth of OLED polarizers is expected to be approximately 102% by 2025, with a CAGR of approximately 13%.

The Company is a leader in global LCD polarizers. The acquisition of LG Chem's SP business will significantly improve the degree of localization of OLED polarizers, accelerate the Company's pace to expand the OLED polarizer business, and expand the Company's product portfolio to further expand the development potential of the Company's polarizer business and enhance the Company's long-term competitiveness, thus contributing to the stable and sustainable development of the Company's polarizer business.

## **VI. Risks Reminder**

(I) Risk related to approval and transfer

The transaction is subject to the antitrust review from the relevant national government authorities, and the transfer of SP-related intellectual property rights falling within the List of National Core Technologies of South Korea is subject to the approval from the Korean government, if any, and filings to the competent government authorities such as the MOFCOM and the NDRC of the PRC. The subject assets under this transaction are located in mainland China, South Korea and Vietnam, which may be affected by factors including geopolitics and trade conflict, therefore, there are uncertainties as to whether and when the relevant approvals and filings and the transfer of asset ownership will be successfully completed.

(II) Risk related to valuation and goodwill impairment

The valuation agency engaged by the Company has performed the valuation-related work or alternative procedures in accordance with the relevant regulations, however, there is a risk that the valuation of the subject assets may not be in line with the actual situation due to the inconsistency between the actual situation in the future and the valuation assumptions, and lower future earnings as compared with the prediction at the time of valuation, which may lead to the goodwill impairment risk.

(III) Risk related to high concentration of customers and exchange rate

The business sales of the subject assets are mainly from LG Display, so there is the risk of high concentration of customer; at the same time, its raw materials are primarily procured from Japan, so there is a certain risk of exchange rate fluctuations.

(IV) Risk related to relocation of production lines not as expected, consolidation and operation

The Company initially plans to relocate the Korean production line of the subject assets to the PRC. There may be risks such as shutdown of some production lines after closing, further investment in certain equipment maintenance or replacement, and slower-than-expected implementation and delivery of domestic projects. After completing the acquisition of the subject assets, there is uncertainty as to whether effective integration can be achieved; at the same time, the subject assets are prone to be affected by national policy, industry development, their own level of management

and other aspects during their production and operation. Moreover, there is risk of uncertainty as to the operating results in the future.

Investors are advised to be aware of the above risks.

This announcement is hereby given.

Board of Directors of Ningbo Shanshan Co., Ltd.

27 September 2023