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Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F, One Taikoo Place
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No C-030171

Valuation Report Considering the Market Value of 100 Percent Equity Interest in Nanjing Zhangyu Information Technology Co., Ltd.

Client	:	Hengxin Technology Ltd.
Report Date	:	25 June 2024
Valuation Date	:	31 December 2023
Ref. No.	:	CON101796264 BV-1

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25 June 2024

The Board of Directors
Hengxin Technology Ltd.
6th Floor, The Chinese Club Building
21-22 Connaught Road Central, Hong Kong

Dear Sirs,

In accordance with the instructions received from Hengxin Technology Ltd. ("**Hengxin Technology**" or the "**Company**"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 100 Percent Equity Interest in Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**" or "**Target**", inclusive of its subsidiaries to be referred to collectively as the "**Nanjing Zhangyu Group**") as at 31 December 2023 (the "**Valuation Date**"). The report which follows is dated 25 June 2024 (the "**Report Date**").

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

Our valuation was carried out on a market value basis 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*".

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Target. We have also considered various risks and uncertainties that have potential impact on the Target.

We do not intend to express any opinion in matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 100 percent equity interest in the Target as at the Valuation Date is RMB806,727,000.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

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Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

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TABLE OF CONTENTS

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INTRODUCTION

In accordance with the instructions received from Hengxin Technology Ltd. ("**Hengxin Technology**" or the "**Company**"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 100 percent equity interest in Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**" or "**Target**", inclusive of its subsidiaries to be referred to collectively as the "**Nanjing Zhangyu Group**") as at 31 December 2023 (the "**Valuation Date**") The report which follows is dated 25 June 2024 (the "**Report Date**").

PURPOSE OF VALUATION

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

BASIS OF OPINION

Our valuation was carried out on a market value basis. 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*".

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

Nanjing Zhangyu and Wuxi Sihai Technology Co., Ltd. ("**Wuxi Sihai**") are both principally engaged in providing chips research, design, sales and supply chain services, semiconductor intellectual property authorization with a focus on logic and microprocessor chips in fields such as the IoT, cloud security and industrial control in Mainland China. Zhejiang Zhongguang New Energy Technology Co., Ltd. ("**Zhejiang Zhongguang**", inclusive of its subsidiaries to be referred to collectively as the "**Zhejiang Zhongguang Group**") is principally engaged in the supply of electricity with a focus on the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology in Mainland China.

According the management of the Target, in 2023, Nanjing Zhangyu and Wuxi Sihai derived 100% of their revenues from providing chips research, design, sales and supply chain services, semiconductor intellectual property authorization; Zhejiang Zhongguang Group derived 100% of its revenue from the operation of solar power station and related business; Nanjing Zhangyu, Wuxi Sihai and Zhejiang Zhongguang Group derived 100% of their revenues from the operation in Mainland China.

Nanjing Zhangyu holds 80 percent of Wuxi Sihai and 87.67 percent of Hangzhou Longkong Zhongguang Enterprise Holding Enterprise Partnership (Limited Partnership) ("**Longkong Zhongguang**"), and Longkong Zhongguang holds 51 percent of Zhejiang Zhongguang as at the Valuation Date. Longkong Zhongguang has no business operations. In 2022, Hengxin Technology acquired 51 percent equity interest in Nanjing Zhangyu. In 2023, Longkong Zhongguang acquired 51 percent equity interest in Zhejiang Zhongguang.

The summary of the financial information of the Nanjing Zhangyu Group for the years ended 31 December 2022 and 31 December 2023 are set out below:

	Years ended 31 December	
	2023	**2022**
	RMB'000	**RMB'000**
Revenue	235,985	132,539
Net profit after taxation	61,432	36,260
Total equity	865,532	57,425

An indirect wholly-owned subsidiary the Company, Xin Ke Xin (Suzhou) Technology Co., Ltd. (as transferee) and Xuzhou Jinkan Management Consulting Partnership (Limited Liability Partnership) and Mr. Bai Yuanliao (as transferors) have entered into a conditional framework agreement which allows Xin Ke Xin (Suzhou) Technology Co., Ltd. to acquire a total of 49 percent equity interest in the Target.

APPROACH AND METHODOLOGY

In arriving the market value of 100 percent equity interest in the Target, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition of the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Approach and Methodology

To select the most appropriate approach, we have considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target. In our opinion, the cost approach is inappropriate for valuing the Target, as it does not directly incorporate information about the economic benefits contributed by the Target. The income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions, not all of which can be easily quantified or ascertained. We have therefore relied on the market approach in determining our opinion of value.

There are two common methods under market approach, namely, guideline public companies method and guideline transaction method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transaction method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to Target's financial metrics

In this exercise, the market value of equity interest in the Target was developed through the guideline public company method. The guideline transaction method is not adopted due to lack of sufficient recent market transactions with similar nature as the Target. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. In this valuation, we have considered the following commonly used benchmark multiples:

Benchmark multiple	Abbreviation	Analysis
Price to earnings	P/E	Not used. P/E is not selected as it does not capture the financial leverage and other related risk feature across the companies
Price to book	P/B	Not used. P/B multiple is not selected as P/B fail to capture the intangible company-specific competencies and advantages so in general,the equity's book value has little bearing with its fair value.
Price to sales & Enterprise Value to Sales	P/S & EV/S	Not used. P/S & EV/S are not used in the valuation as P/S & EV/S do not take into account a company's profitability
Enterprise Value to EBITDA	EV/EBITDA	Adopted. EV/EBITDA is suitable for profitable companies and can factor in differences in balance sheet positions between the subject and the comparable companies.

In this valuation, The EV/EBITDA Ratio is defined as the current enterprise value to the earnings before interest, tax, depreciation and amortization of the Target from 1 January 2023 to 31 December 2023. The EV/EBITDA Ratio is a capital structure neutral ratio since it takes into account the debt and earnings before interest expenses. It allows us to compare the Target against the comparable companies without considering how each comparable company finances its operations.

We conduct the valuation of Nanjing Zhangyu at the individual company level, as well as separate valuations for Wuxi Sihai and Zhejiang Zhongguang. The market value of Longkong Zhongguang is calculated with a net asset value model because Longkong Zhongguang has no business operations. The market value of equity interest in the Target is the sum of 100 percent market value of Nanjing Zhangyu, 80 percent market value of Wuxi Sihai and 87.67 percent market value of Longkong Zhongguang.

Adjustment of EV/EBITDA Ratios

The comparable companies are often of significantly different size from the target. Larger companies are generally perceived as less risky in relation to business operation and financial performance, and thus the expected returns are lower and resulting in higher multiples. Therefore, the base multiples were adjusted to reflect the difference in size between the comparable companies and the target.

The adjusted EV/EBITDA Ratios were calculated using the following formula:

Adjusted EV/EBITDA Ratio = $1/((1/M) + \alpha * \varepsilon * \theta)$

Where:
M = The Base EV/EBITDA Ratio
α = The scale factor, which converts the base measure of the benefits to an alternative measure of benefits for the comparable companies
ε = The ratio of the equity value to the enterprise value of the comparable company
θ = Required adjustment in the equity discount rate for difference in size

M is the base EV/EBITDA ratio and we take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalization rate. In this valuation, the reciprocal of the base EV/EBITDA multiple represents a capitalization rate of the enterprise value.

For the parameter θ, it was used as a desired adjustment to reflect the difference in natures between the comparable companies and the target. With reference to the 2024 SBBI® Yearbook published by Kroll Inc. (previously Duff & Phelps), size premium differentials of 0.00%-4.24% were adopted to capture how much the market capitalization of each of the comparable companies is larger than the market value of the target.

The ratio of the market capitalization to enterprise value ε was adopted as a weighting factor. As aforesaid, the logic behind this formula is that a pricing multiple is the reciprocal of the capitalization rate. In the case of an enterprise value multiple, the capitalization rate is driven by the weighted average cost of capital ("WACC") of the valuation subject. Since the size and country risk premium differentials "θ" are applicable only to the equity portion (for a listed company, market capitalization represents the market value of its equity) but not to the debt portion of the WACC, we only adjust the equity portion of the capitalization rate in this pricing multiple adjustment formula. The ratio ε was used to apply an appropriate weighting on the parameter θ so that the capitalization rate was adjusted only to the extent of its equity portion. In other words, the ratio ε takes into account of the varying capital structures among the comparable companies. Market capitalization and enterprise value of comparable companies are obtained from Bloomberg.

The ratio of EBITDA to net operating profit after tax ("NOPAT") was used as a scale factor α, which is applied in the adjustment of the EV/EBITDA multiple. It is considered that the base measure of the benefits for enterprise value to be NOPAT (Hitchner, 2017), which is a financial measure that shows how well a company performed through its core operations net of taxes and it excludes tax savings from existing debt and one-time losses or charges. As EV/EBITDA was adopted as the pricing multiple in this valuation, EBITDA becomes an alternative measure of the benefits for enterprise value in the pricing multiple adjustment formula. Hence, α was used as a scale factor for the alternative measure of benefit. EBITDA and NOPAT of comparable companies are obtained from Bloomberg.

ASSUMPTIONS

In this exercise, we have applied the following assumptions as at the Valuation Date in deriving the market value of the 100 percent equity interest in the Target.

General Assumptions

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- The operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge; and
- We have assumed that there are no hidden or unexpected conditions associated with the Target that might adversely affect the reported values. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

Market Multiple

Nanjing Zhangyu and Wuxi Sihai

Under guideline public company method, which requires identifying suitable guideline public companies and selection of appropriate trading multiples, in determining the financial multiple, a list of comparable companies was identified. The selection criteria, which are based on the business nature and operation status of Nanjing Zhangyu and Wuxi Sihai as discussed in BACKGROUND, include the followings:

- The companies are publicly listed on HKEX, SZSE or SSE;
- The companies have been listed no fewer than six months;
- The companies derive at least 50% of their revenues from the same industry of Nanjing Zhangyu and Wuxi Sihai, i.e. chips research, design, sales and supply chain services, semiconductor intellectual property authorization with a focus on logic and microprocessor chips in fields such as the IoT, cloud security and industrial control;
- The companies derive at least 50% of their revenues from the operation in Mainland China, which is the same as Nanjing Zhangyu and Wuxi Sihai;
- The companies have positive Net Operating Profit After Tax("NOPAT"), which is the same as Nanjing Zhangyu and Wuxi Sihai; and
- Sufficient data, including the EV/EBITDA Multiples as at the Valuation Date of the companies, is available.

The comparable companies satisfying the aforementioned criteria are:

Ticker	Name	% of Revenue from chips research, design, sales and supply chain services, semiconductor intellectual property authorization[1]	% of Revenue from China[2]	NOPAT[3]	EV/EBITDA ratio before adjustment[3]
688018 CH Equity	Espressif Systems (Shanghai) Co., Ltd.	99.15%	63.14%	72.23	101.66
688620 CH Equity	Guangzhou Anyka Microelectronics Co., Ltd.	97.71%	58.96%	33.98	60.66
688589 CH Equity	Leaguer (Shenzhen) Microelectronics Corp.	99.75%	100.00%	105.03	34.04
688008 CH Equity	Montage Technology Co., Ltd.	100.00%	66.88%	234.05	194.51
603893 CH Equity	Rockchip Electronics Co., Ltd.	98.15%	68.45%	28.83	305.71
1385 HK Equity	Shanghai Fudan Microelectronics Group Company Limited	93.02%	90.96%	1,036.38	20.69
300327 CH Equity	Sino Wealth Electronic Ltd.	99.97%	77.28%	170.49	41.47
002049 CH Equity	Unigroup Guoxin Microelectronics Co., Ltd.	95.57%	91.05%	2,766.94	17.37
688521 CH Equity	VeriSilicon Microelectronics (Shanghai) Co., Ltd.	100.00%	64.87%	107.59	95.53
688041 CH Equity	Hygon Information Technology Co., Ltd.	100.00%	100.00%	1,136.27	86.44
688279 CH Equity	Fortior Technology (Shenzhen) Co., Ltd.	100.00%	94.14%	90.22	111.17
688391 CH Equity	Hi-Trend Technology (Shanghai) Co., Ltd.	99.51%	96.88%	169.25	18.89

Notes:

1. The percentage of revenue is directly extracted from annual reports of the comparable companies or calculated based on revenue segments or operating segments information if direct data is unavailable.
2. The percentage of revenue is directly extracted from annual reports of the comparable companies or calculated based on revenue segments or operating segments information if direct data is unavailable.
3. Retrieved from Bloomberg based on latest data available.

The details of the adjustments of the comparable companies are as follows:

Ticker	Name	Total Adjustment ($\alpha * \varepsilon * \theta$)
688018 CH Equity	Espressif Systems (Shanghai) Co., Ltd.	3.75%
688620 CH Equity	Guangzhou Anyka Microelectronics Co., Ltd.	8.00%
688589 CH Equity	Leaguer (Shenzhen) Microelectronics Corp.	4.00%
688008 CH Equity	Montage Technology Co., Ltd.	6.01%
603893 CH Equity	Rockchip Electronics Co., Ltd.	11.28%
1385 HK Equity	Shanghai Fudan Microelectronics Group Company Limited	4.25%
300327 CH Equity	Sino Wealth Electronic Ltd.	3.65%
002049 CH Equity	Unigroup Guoxin Microelectronics Co., Ltd.	4.88%
688521 CH Equity	VeriSilicon Microelectronics (Shanghai) Co., Ltd.	9.11%

688041 CH Equity	Hygon Information Technology Co., Ltd.	7.12%
688279 CH Equity	Fortior Technology (Shenzhen) Co., Ltd.	3.84%
688391 CH Equity	Hi-Trend Technology (Shanghai) Co., Ltd.	4.61%

The Adjusted EV/EBITDA Ratios of the comparable companies are shown as follows:

Ticker	Name	Adjusted EV/EBITDA Ratio
688018 CH Equity	Espressif Systems (Shanghai) Co., Ltd.	21.13
688620 CH Equity	Guangzhou Anyka Microelectronics Co., Ltd.	10.36
688589 CH Equity	Leaguer (Shenzhen) Microelectronics Corp.	14.42
688008 CH Equity	Montage Technology Co., Ltd.	15.32
603893 CH Equity	Rockchip Electronics Co., Ltd.	8.62
1385 HK Equity	Shanghai Fudan Microelectronics Group Company Limited	11.01
300327 CH Equity	Sino Wealth Electronic Ltd.	16.50
002049 CH Equity	Unigroup Guoxin Microelectronics Co., Ltd.	9.40
688521 CH Equity	VeriSilicon Microelectronics (Shanghai) Co., Ltd.	9.84
688041 CH Equity	Hygon Information Technology Co., Ltd.	12.08
688279 CH Equity	Fortior Technology (Shenzhen) Co., Ltd.	21.08
688391 CH Equity	Hi-Trend Technology (Shanghai) Co., Ltd.	10.09

The average of the EV/EBITDA Ratio is calculated at 13.32 and is adopted as the EV/EBITDA Ratio for the valuation on the market value of the equity interest in the Nanjing Zhangyu and Wuxi Sihai.

Zhejiang Zhongguang

Under guideline public company method, which requires identifying suitable guideline public companies and selection of appropriate trading multiples, in determining the financial multiple, a list of comparable companies was identified. The selection criteria, which are based on the business nature and operation status of Zhejiang Zhongguang as discussed in BACKGROUND, include the followings:

- The companies are publicly listed on HKEX, SZSE or SSE;
- The companies have been listed no fewer than six months;
- The companies derive at least 50% of their revenues from the same industry of Zhejiang Zhongguang, i.e. operation of solar power station and related business;
- The companies derive at least 50% of their revenues from the operation in Mainland China, which is the same as Zhejiang Zhongguang;

- The companies have positive Net Operating Profit After Tax("NOPAT"), which is the same as Zhejiang Zhongguang; and
- Sufficient data, including the EV/EBITDA Multiples as at the Valuation Date of the companies, is available.

The comparable companies satisfying the aforementioned criteria are:

Ticker	Name	% of Revenue from operation of solar power station and related business[1]	% of Revenue from China[2]	NOPAT[3]	EV/EBITDA ratio before adjustment[3]
686 HK Equity	Beijing Energy International Holding Co., Ltd.	88.04%	100.00%	1,692.20	14.48
000591 CH Equity	CECEP Solar Energy Co.,Ltd.	99.74%	100.00%	1,977.92	9.76
601778 CH Equity	Jinko Power Technology Co., Ltd.	98.67%	96.07%	958.02	10.62
600821 CH Equity	NYOCOR Co., Ltd.	57.81%	100.00%	1,507.16	11.95
1250 HK Equity	Shandong Hi-Speed New Energy Group Limited	56.61%	90.00%	1,498.45	9.36
000040 CH Equity	Tunghsu Azure Renewable Energy Co.,Ltd.	65.64%	99.34%	141.59	21.11
3868 HK Equity	Xinyi Energy Holdings Limited	100.00%	100.00%	1,021.10	8.13
603105 CH Equity	Zhejiang Sunoren Solar Technology Co.,Ltd.	86.35%	97.84%	275.78	14.92

Notes:

1. The percentage of revenue is directly extracted from annual reports of the comparable companies or calculated based on revenue segments or operating segments information if direct data is unavailable.
2. The percentage of revenue is directly extracted from annual reports of the comparable companies or calculated based on revenue segments or operating segments information if direct data is unavailable.
3. Retrieved from Bloomberg based on latest data available.

The details of the adjustments of the comparable companies are as follows:

Ticker	Name	Total Adjustment ($\alpha * \varepsilon * \theta$)
686 HK Equity	Beijing Energy International Holding Co., Ltd.	0.00%
000591 CH Equity	CECEP Solar Energy Co.,Ltd.	1.18%
601778 CH Equity	Jinko Power Technology Co., Ltd.	0.74%
600821 CH Equity	NYOCOR Co., Ltd.	0.41%
1250 HK Equity	Shandong Hi-Speed New Energy Group Limited	0.27%
000040 CH Equity	Tunghsu Azure Renewable Energy Co.,Ltd.	1.56%
3868 HK Equity	Xinyi Energy Holdings Limited	0.78%
603105 CH Equity	Zhejiang Sunoren Solar Technology Co.,Ltd.	1.20%

The Adjusted EV/EBITDA Ratios of the comparable companies are shown as follows:

Ticker	Name	Adjusted

		EV/EBITDA Ratio
686 HK Equity	Beijing Energy International Holding Co., Ltd.	14.48
000591 CH Equity	CECEP Solar Energy Co.,Ltd.	8.75
601778 CH Equity	Jinko Power Technology Co., Ltd.	9.85
600821 CH Equity	NYOCOR Co., Ltd.	11.39
1250 HK Equity	Shandong Hi-Speed New Energy Group Limited	9.13
000040 CH Equity	Tunghsu Azure Renewable Energy Co.,Ltd.	15.89
3868 HK Equity	Xinyi Energy Holdings Limited	7.65
603105 CH Equity	Zhejiang Sunoren Solar Technology Co.,Ltd.	12.66

The average of the EV/EBITDA Ratio is calculated at 11.23 and is adopted as the EV/EBITDA Ratio for the valuation on the market value of the equity interest in the Zhejiang Zhongguang.

Discount for Lack of Marketability (DLOM)

A factor to be considered in valuing closely held companies such as the Target is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

For this exercise, the indicated discount for lack of marketability adopted for the equity interest in the Nanjing Zhangyu and Wuxi Sihai is 15.80% (Manufacturing) as at the Valuation Date, the indicated discount for lack of marketability adopted for the equity interest in the Longkong Zhongguang is 16.10% (Electric, Gas, and Sanitary Services) as at the Valuation Date, based on a study *2023 edition of the Stout Restricted Stock Study Companion Guide* issued by Stout Risius Ross, LLC. The study represents the most widely used and accepted database available to valuators for DLOM determination.

Control Premiums and Discount for Lack of Control (DLOC)

Control Premium and Discount for Lack of Control (DLOC) are applied to reflect differences between the comparables and the subject asset with regard to the ability to make decisions. A Control Premium is defined as the additional consideration that an investor would pay over a marketable minority equity value in order to own a controlling interest in the common stock of a company. As the Target operates in different business sectors, and it holds 80 percent equity interest in Wuxi Sihai and Longkong Zhongguang holds 51 percent equity interest in Zhejiang Zhongguang, which reflects a controlling interest, a control premium is adopted to calculate the market value of Nanjing Zhangyu, Wuxi Sihai and Zhejiang Zhongguang, which is common practice. The DLOC is the reduction applied to the valuation of a minority equity position in a company due to the absence of control. It is usually calculated as the reciprocal of the control premium. Minority shareholders usually have the inability to dictate the future strategic direction of the company, the election of directors, the nature, quantum and timing of their return on investment, or even the sale of their own shares. This absence of control reduces the value of the minority equity position against the total enterprise value of the company. As the Company intended to acquire 49 percent equity interest in the Target, which reflects a minority equity interest, a DLOC is adopted to calculate the market value of the Target, which is common practice. Excluding the consideration of Control Premium for the subsidiaries could result in double discounting when implementing the DLOC at the consolidated level. In this report, the calculation takes into account the diversity of the Target's business, the complexity of its ownership structure and the purpose of this valuation, making it the most appropriate.

Based on the Mergerstat Control Premium Study (3rd and 4th Quarter 2023) published by FactSet Mergerstat, LLC., the DLOC of 22.90% and the control premium of 29.85% is adopted in this valuation. The Control Premium Study published by FactSet Mergerstat, LLC. is a widely accepted sources among valuers.

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CALCULATION OF VALUATION RESULT

Nanjing Zhangyu

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. We have also taken into account the two factors, including the DLOM and control premium. The calculation of the market value of the 100 percent equity interest in the Nanjing Zhangyu as at the Valuation Date is as follows:

	As at 31 December 2023 **RMB'000**
Trailing 12 months EBITDA of the Nanjing Zhangyu*	60,654
Adjusted EV/EBITDA Ratio	13.32
Enterprise Value of the Nanjing Zhangyu	**807,976**
Add: Cash and Cash Equivalents**	12,368
Less: Preferred Equity**	-
Less: Minority Interest**	-
Less: Debt and Lease Liabilities**	(261,689)
100 Percent Equity Interest in Nanjing Zhangyu (marketable, non-controlling)	**558,655**
Add: Control Premium (29.85%)	166,758
100 Percent Equity Interest in Nanjing Zhangyu (marketable, controlling)	**725,413**
Less: Discount for Lack of Marketability (15.80%)	(114,615)
100 Percent Equity Interest in Nanjing Zhangyu (non-marketable, controlling)	**610,798**

Note: *The trailing 12 months EBITDA of the Nanjing Zhangyu were based on the audited financial figures for the years ended 31 December 2023 from the auditor. The trailing 12 months EBITDA of Nanjing Zhangyu is calculated as follow:

	2023 ***Audited (RMB'000)***
Revenue	94,958
+ Other income	267
- Cost of sales	-24,754
- Selling expenses	-691
- Administrative expenses	-4,183
- Other operating expenses	-6,567
EBIT	**59,029**
+ D&A	1,626
EBITDA	**60,654**

**The figures of Cash and Cash Equivalents, Preferred Equity, Minority Interest, Debt and Lease Liabilities were all extracted from the audited financial figures for the years ended 31 December 2023 from the auditor.

Wuxi Sihai

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. We have also taken into account the two factors, including the DLOM and control premium. The calculation of the market value of the 80 percent equity interest in the Wuxi Sihai as at the Valuation Date is as follows:

	As at 31 December 2023 RMB'000
Trailing 12 months EBITDA of the Wuxi Sihai*	6,120
Adjusted EV/EBITDA Ratio	13.32
Enterprise Value of the Wuxi Sihai	**81,525**
Add: Cash and Cash Equivalents**	6,454
Less: Preferred Equity**	-
Less: Minority Interest**	-
Less: Debt and Lease Liabilities**	-
100 Percent Equity Interest in Wuxi Sihai (marketable, non-controlling)	**87,979**
Add: Control Premium (29.85%)	26,262
100 Percent Equity Interest in Wuxi Sihai (marketable, controlling)	**114,240**
Less: Discount for Lack of Marketability (15.80%)	(18,050)
100 Percent Equity Interest in Wuxi Sihai (non-marketable, controlling)	**96,190**
80 Percent Equity Interest in Wuxi Sihai (non-marketable, controlling)	**76,952**

Note: *The trailing 12 months EBITDA of the Wuxi Sihai were based on the audited financial figures for the years ended 31 December 2023 from the auditor. The trailing 12 months EBITDA of Wuxi Sihai is calculated as follow:

	2023 *Audited (RMB'000)*
Revenue	74,661
+ Other income	1,161
- Cost of sales	-65,938
- Selling expenses	-402
- Administrative expenses	-350
- Other operating expenses	-3,155
EBIT	**5,977**
+ D&A	143
EBITDA	**6,120**

**The figures of Cash and Cash Equivalents, Preferred Equity, Minority Interest, Debt and Lease Liabilities were all extracted from the audited financial figures for the years ended 31 December 2023 from the auditor.

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Zhejiang Zhongguang

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. We have also taken into account the two factors, including the DLOM and control premium. The calculation of the market value of the 51 percent equity interest in the Zhejiang Zhongguang as at the Valuation Date is as follows:

	As at 31 December 2023 RMB'000
Trailing 12 months EBITDA of the Zhejiang Zhongguang*	126,777
Adjusted EV/EBITDA Ratio	11.23
Enterprise Value of the Zhejiang Zhongguang	**1,423,068**
Add: Cash and cash equivalents**	431,369
Add: Excess Asset - Joint Venture**	4,178
Add: Excess Asset - Derivative Financial Assets**	82,041
Add: Excess Asset - Other Investments**	2,949
Less: Preferred Equity**	-
Less: Minority Interest**	(755)
Less: Debt and Lease Liabilities**	(500,971)
100 Percent Equity Interest in Zhejiang Zhongguang (marketable, non-controlling)	**1,441,880**
Add: Control Premium (29.85%)	430,401
100 Percent Equity Interest in Zhejiang Zhongguang (marketable, controlling)	**1,872,281**
Less: Discount for Lack of Marketability (16.10%)	(301,437)
100 Percent Equity Interest in Zhejiang Zhongguang (non-marketable, controlling)	**1,570,844**
51 Percent Equity Interest in Zhejiang Zhongguang (non-marketable, controlling)	**801,130**

Note: *The trailing 12 months EBITDA of the Zhejiang Zhongguang were based on the unaudited financial figures for the years ended 31 December 2023 from the management. The trailing 12 months EBITDA of Zhejiang Zhongguang is calculated as follow:

	2023 *Unaudited (RMB'000)*
Revenue	155,748
+ Other income	16,435
- Cost of sales	-58,092
- Selling expenses	-
- Administrative expenses	-25,166
- Other operating expenses	-10,073
EBIT	**78,852**
+ D&A	47,924
EBITDA	**126,777**

**The figures of Cash and Cash Equivalents, Excess Assets, Preferred Equity, Minority Interest, Debt and Lease Liabilities were all extracted from the audited financial figures for the years ended 31 December 2023 from the auditor.

Longkong Zhongguang

The calculation of the market value of the 87.67 percent equity interest in the Longkong Zhongguang as at the Valuation Date is as follows:

	Book Value RMB'000	Market Value RMB'000
Long-term Investments - Zhejiang Zhongguang	726,390	801,130
Total Non-current Assets	**726,390**	**801,130**
Cash and Cash Equivalents	124	124
Total Current Assets	**124**	**124**
Long-term Borrowings Due within One Year	39,224	39,224
Total Current Liabilities	**39,224**	**39,224**
Long-term Borrowings	353,016	353,016
Total Long-term Liabilities	**353,016**	**353,016**
Net Asset Value	**334,275**	**409,015**
100 Percent Equity Interest in Longkong Zhongguang (non-marketable, controlling)		**409,015**
87.67 Percent Equity Interest in Longkong Zhongguang (non-marketable, controlling)		**358,588**

Nanjing Zhangyu

	As at 31 December 2023
100 Percent Equity Interest in Nanjing Zhangyu (non-marketable, controlling)	610,798
80 Percent Equity Interest in Wuxi Sihai (non-marketable, controlling)	76,952
87.67 Percent Equity Interest in Longkong Zhongguang (non-marketable, controlling)	358,588
100 Percent Equity Interest in Nanjing Zhangyu (non-marketable, controlling)	**1,046,338**
Less: Discount for Lack of Control (22.90%)	(239,611)
100 Percent Equity Interest in Nanjing Zhangyu (non-marketable, non-controlling)	**806,727**
Market Value of 100 Percent Equity Interest in Nanjing Zhangyu (Rounded)	**806,727**

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VALUATION COMMENTS

The valuation of the market value of equity interest in the Target requires consideration of all relevant factors affecting the operation of the business related to the Target and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- The nature of the business;
- The financial condition of the business and the economic outlook in general; and,
- The financial and business risk of the enterprise including the continuity of income and the projected future results.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. In particular, details about the assumptions can be found under the heading "Assumptions" in this Report. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

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OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of 100 percent equity interest in the Target as at the Valuation Date is reasonably stated as follows:

Nanjing Zhangyu	Market Value (RMB'000)
100 percent equity interest	**806,727**

LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

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LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties (if any) because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results (if any) is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast (if any) provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. 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.

17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and Jones Lang LaSalle Corporate Appraisal and Advisory Limited in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

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VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

- The reported analyses, opinions, and conclusions are independent and objective.

- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

- The valuers' compensation is not contingent upon the quantum of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.

- The under mentioned persons provided professional assistance in the compilation of this report.

Simon M.K. Chan
Executive Director

Hunter Z.W. He
Senior Director

Kevin H.K.Yang
Senior Analyst