



INTERNATIONAL VALUATION LIMITED  
國際評估有限公司

---

**China Brilliant Global Limited**

September 12, 2023

Valuation on 100% equity interest in 深圳市朗華物業服務  
有限公司

**As of December 31, 2022**



INTERNATIONAL VALUATION LIMITED  
國際評估有限公司

September 12, 2023

**The Board of Directors**  
**China Brilliant Global Limited**  
Flat B, 9/F.,  
9 Des Voeux Road West,  
Sheung Wan,  
Hong Kong

Ref: 20232172(a)

Dear Sir and Madam,

International Valuation Limited (“IVL”) has concluded its analysis on the market value of 100% equity interest in 深圳市朗華物業服務有限公司 (the “**Acquisition Company**”) as of December 31, 2022 (the “**Valuation Date**”).

This valuation was performed for major and connected transaction reference purpose. Our work is designed solely to assist China Brilliant Global Limited (the “**Company**”) and the management (the “**Management**”) with the determination of the market value of the 100% equity interest in the Acquisition Company as of the Valuation Date.

This report states the scope of our work and purpose of appraisal, identifies the business appraised, economic and industry overview, describes the basis and methodology of our appraisal, investigation and analysis, major assumptions and limiting conditions, and presents our opinion of value.

**PURPOSE OF APPRAISAL**

IVL acknowledges that this report is prepared solely to assist the Management to determine the market value of the 100% equity interest in the Acquisition Company as of the Valuation Date. We understand that this report would be made available for major and connected transaction reference purpose only. No other use of our valuation report is intended or should be inferred.



# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

We assume no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

### DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2022. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: “*Market Value is 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.*” Unless otherwise noted, the market value of the 100% equity interest in the Acquisition Company is determined on controlling shares and going concern bases.

### SCOPE OF THE ENGAGEMENT

Our services included performing a market value estimation of 100% equity interest in the Acquisition Company as of the Valuation Date for major and connected transaction reference purpose.

In the process of the valuation under this engagement, we relied on the business and financial information of the Acquisition Company provided by the Management or obtained from public sources, if any. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history and future operations of the Acquisition Company;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the equity interest of the Acquisition Company, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
  - Understand in more detail of the Acquisition Company;



# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

- Gain a more thorough understanding of the nature and operations of the Acquisition Company including the estimated market trends;
- Analysis of conditions in, and the economic outlook for, the industry in the territory in which the Acquisition Company operates; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the market value of the Acquisition Company.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

This valuation report comprises:

- A. This letter, which describes the nature and extent of the valuation, and presents the conclusion of value; and
- B. A narrative report, which sets forth the history and nature of the operations, a description of valuation theory, and a presentation and correlation of the valuation techniques employed, and the conclusion of value.

### SOURCES OF INFORMATION

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Acquisition Company;
- Descriptions of the business and future development plan of the Acquisition Company;
- A copy of the business license of the Acquisition Company;
- A summary of the property management contracts entered into by the Acquisition Company with its customers; and
- Accountants' report of the Acquisition Company for the years ended December 31, 2019 to December 31, 2022.





# INTERNATIONAL VALUATION LIMITED 國際評估有限公司

Other information regarding the industry and economic outlook, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we conversed with the Management concerning the financial and general outlook of the Acquisition Company.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.

## CONCLUSION

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 100% equity interest in the Acquisition Company as of December 31, 2022 is reasonably represented in the amount of approximately, **RENMINBI EIGHTY SEVEN MILLION SEVEN HUNDRED THOUSAND ONLY (RMB87,700,000)**.

We appreciate the opportunity to provide our valuation services. Please do not hesitate to contact us if you have any questions or if we can be of further assistance concerning this engagement. A copy of this report is retained in our files together with the data from which it was prepared.

Respectfully submitted,

**International Valuation Limited**



## 1. INTRODUCTION

### Description of the Assignment

International Valuation Limited (“IVL”) has concluded its analysis on the market value of 100% equity interest in 深圳市朗華物業服務有限公司 (the “Acquisition Company”) as of December 31, 2022 (the “Valuation Date”).

This valuation was performed for major and connected transaction reference purpose. Our work is designed solely to assist China Brilliant Global Limited (the “Company”) and the management (the “Management”) with the determination of the market value of the 100% equity interest in the Acquisition Company as of the Valuation Date.

The report was prepared in accordance with International Valuation Standards 2022. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: “Market Value is 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.” Unless otherwise noted, the market value of the 100% equity interest in the Acquisition Company is determined on controlling shares and going concern bases.

The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history and future operations of the Acquisition Company;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the equity interest of the Acquisition Company, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
  - Understand in more detail of the Acquisition Company;



# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

- Gain a more thorough understanding of the nature and operations of the Acquisition Company including the estimated market trends;
- Analysis of conditions in, and the economic outlook for, the industry in the territory in which the Acquisition Company operates; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the market value of the Acquisition Company.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

### Sources of Information

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Acquisition Company;
- Descriptions of the business and future development plan of the Acquisition Company;
- A copy of the business license of the Acquisition Company;
- A summary of the property management contracts entered into by the Acquisition Company with its customers; and
- Accountants' report of the Acquisition Company for the years ended December 31, 2019 to December 31, 2022.

Other information regarding the industry and economic outlook, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we conversed with the Management concerning the financial and general outlook of the Acquisition Company.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.





## 2. PURPOSE OF APPRAISAL

IVL acknowledges that this report is prepared solely to assist the Management to determine the market value of the 100% equity interest in the Acquisition Company as of the Valuation Date. We understand that this report would be made available for major and connected transaction reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

## 3. OVERVIEW OF THE ACQUISITION COMPANY

### Business Descriptions

The Acquisition Company is a company established under the laws of the People's Republic of China ("PRC") on May 9, 2019 which is principally engaged in the provision of property management services in the PRC. As at June 2, 2023, the property management business of the Acquisition Company spans across different cities and regions of the PRC, with a total of 22 property management projects, involving large-scale residential quarters, industrial parks, commercial plazas, and other types of properties.

## 4 ECONOMIC OVERVIEW

### Overview of China Economy

According to the National Bureau of Statistics of China, the GDP in 2022 was RMB121,020.7 billion, which recorded a 3 percent increase over the last year at constant prices. The first quarter of 2022 showed the strongest pace of expansion, amid efforts from Beijing to spur the post-pandemic recovery.

The consumer price index in China rose by 2 percent in 2022 according to the National Bureau of Statistics. Prices have remained stable in 2022 which demonstrated strong resilience of the Chinese economy with effective measures to ensure market supply and stabilize prices. In December 2022, the price of food, tobacco and alcohol increased by 3.7 percent year-on-year. Among the food category, the price of livestock meat rose by 11.6 percent, and the price of pork increased by 22.2 percent in particular.





# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

According to National Bureau of Statistics of China, the total value of imports and exports of goods in 2022 was RMB42,067.8 billion, which increased by 7.7 percent over last year. Exports amounted to RMB23,965.4 billion which increased by 10.5 percent; while the total value of imports was RMB18,102.4 billion which increased by 4.3 percent. China has witnessed a year-on-year trade increase of 15 percent with the Association of Southeast Asian Nations (“ASEAN”) in 2022. The imports and exports to ASEAN amounted to RMB6.52 trillion in 2022, in which exports amounted to RMB3.79 trillion and imports amounted to RMB2.73 trillion which increased by 21.7 percent and 6.8 percent respectively according to the General Administration of Customs. China is expected to continue demonstrate a stable and further growth with the effective implementation of Regional Comprehensive Economic Partnership.

Regarding exchange rate, Renminbi had weakened to RMB6.8979: USD1 in December 2022 from RMB6.3557: USD1 in December 2021.

## 5 INDUSTRY OVERVIEW

According to the National Bureau of Statistics, China’s property sector decreased by 5.1 percent in 2022 from the previous year. The market research report on the property management industry in China, issued by the China Index Academy, showed a deepened crisis in the industry, with the RMB7.6 trillion revenue of the top 100 property management companies in 2022, which decreased by 41.3 percent from a year before. The market share of the top 100 property developers shrink to 39.3 percent in 2022 which decreased by 12.3 percentage points from the previous year. It is believed that home sales remained weak in the Covid-stricken country.

Value-added services (“VAS”) have emerged from basic property management services recently. VAS to non-property owners are generally related to property sales and consultancy services, while VAS to property owners are related to the community’s daily needs, such as housekeeping, repair and maintenance, child care, etc. According to the National Bureau of Statistics, the VAS in the property sector was 7.2 percent lower in the fourth quarter of 2022 compared to a year ago.

Market research report on the property management industry in China, issued by the China Index Academy in April 2023, showed that the industry was growing at a moderate pace, with the average revenue of the top 100 property management companies reached RMB1,482 million in year 2022, showing a 10.62 percent increase compared to year 2021. Large-scale property management companies actively accelerate their expansion through mergers and acquisitions, in order to expand the scale of property management and realize economies of scale to improve their market position. In terms of gross floor area (“GFA”) under management, the average GFA under management of the top 100 property management companies reached 64 million square meters in year 2022, showing a 12.43% increase compared to year 2021.



# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

Traditionally, property developers usually award new projects to their respective property management arms or strategic partners, which is the major way for property managers to obtain projects for growth. In recent years, many reputable property managers have started to tender for new projects by third-party developers that do not have a property management arm. Also, as the property sales market enters into a matured stage with moderate sales growth, the proportion of GFA for management from the secondary market is becoming increasingly meaningful.

## 6 DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2022. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: “*Market Value is 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.*” Unless otherwise noted, the market value of the 100% equity interest in the Acquisition Company is determined on controlling shares and going concern bases.

## 7 GENERAL VALUATION OVERVIEW

The methods commonly used to develop approximate indications of value for a business or asset are the Income Approach, the Market Approach, and the Cost Approach.

### **Income Approach**

The Income Approach focuses on the income-producing capability of a business or asset. The Income Approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.

### **Market Approach**

The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. Adjustments are made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.



### **Cost Approach**

The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The Cost Approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

### **Selected Approach**

In developing our opinion, we considered all three approaches to value for the asset types and chose the most appropriate approach or approaches for each. Our conclusions rely on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us.

In estimating the market value of the equity interest in the Acquisition Company, we relied primarily on the Market Approach. Under the Market Approach, we relied on the trading multiples of publicly traded guideline companies comparable to the Acquisition Company. Market Approach benchmarked the Acquisition Company's equity value to the publicly trading entities by looking into their financial performances. Not only could Market Approach reflect the current market's investment preferences or investment habitat, but also provide up-to-date public market information allowing the Management to make a more informative decision.

The Cost Approach was not adopted as it may not be able to reflect the expected future economic benefits of an income-generating business. The Income Approach is also not adopted since prospective financial projection at market participants' point of view, which is subject to a number of assumptions and contingent factors, was not reliably available.

## **8 ESTIMATION OF THE MARKET VALUE OF 100% EQUITY INTEREST IN THE ACQUISITION COMPANY**

### **Introduction**

In this section of our report, we describe our valuation analysis utilized to arrive at a concluded market value of the 100% equity interest in the Acquisition Company.





## Valuation Approach

The Market Approach uses direct comparisons to other enterprises and their equity securities to estimate the market value of the common shares of privately issued securities. The Market Approach bases the market value measurement on what other similar enterprises or comparable transactions indicate the value to be. Under this approach, investment by unrelated parties in comparable equity securities of the subject enterprise or transactions in comparable equity securities of comparable enterprises is examined. One commonly used “market comparables” method is the guideline public company method.

To adopt the guideline public company method under the Market Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales (“P/S”), price-to-earnings (“P/E”) and price-to-book (“P/B”) multiples.

P/B multiple was not adopted because book value does not necessarily reflect the profitability or the earning capability of the Acquisition Company. Also, the operations of the Acquisition Company do not require significant amount of tangible assets (i.e. asset-light), and therefore, P/B multiple is not considered. P/E multiple was preferred over P/S multiple as P/E multiple could consider the cost structure and profitability of the Acquisition Company. P/E multiple is a commonly adopted multiple for estimating the market value of a profit-making company. Therefore, we have employed P/E multiple in the valuation for the Acquisition Company as of the Valuation Date.

The selection of guideline companies is by understanding the principal business of the valuation target and search for public companies with businesses as similar with the valuation target as possible. Generally speaking, companies in the same geographical location are preferred, followed by expansion to other geographical locations if same geographic location yield no meaningful results.

We searched for listed companies with business scopes and operations similar to those of the Acquisition Company as comparable companies on best-effort basis with reference to the following selection criteria:

- The companies are principally engaged in property management in the PRC, which is close to the Acquisition Company’s business;
- Over 50% of the total revenue of the companies were generated from property management in the PRC in its preceding financial year;





# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

- The companies have pertinent operating histories and are actively listed in Hong Kong with more than three years' listing history;
- The financial information and relevant market data of the companies are available to the public.

The following table presents the comparable companies adopted in the valuation of 100% equity interest in the Acquisition Company:

<b>Comparable Companies</b>	<b>Business Descriptions</b>	<b>Market Capitalization as of the Valuation Date (HK\$ million)</b>
GR Properties Ltd (108 HK Equity)	GR Properties Ltd, through its subsidiaries, invests in and develops properties.	3,007
Riverine China Holdings Ltd (1417 HK Equity)	Riverine China Holdings Limited operates as a property management company. The company offers engineering, repair and maintenance, security, and cleaning and gardening services. Riverine China Holdings serves office buildings, cultural venues, stadiums, exhibition halls, government properties, and industrial areas in China.	255
Zhong Ao Home Group Ltd (1538 HK Equity)	Zhong Ao Home Group Limited is an independent property management company in China. The company provides property developers and owners with management services to residential properties. Zhong Ao Home Group also offers sales assistance by deploying on-site staff.	419
S-Enjoy Service Group Co Ltd (1755 HK Equity)	S-Enjoy Service Group Co., Limited provides property management services. The company offers building maintenance and security, bill payment, and other related services. S-Enjoy Service Group serves customers in China.	8,010



# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

<b>Comparable Companies</b>	<b>Business Descriptions</b>	<b>Market Capitalization as of the Valuation Date</b> <i>(HK\$ million)</i>
Yincheng Life Service Co Ltd (1922 HK Equity)	Yincheng Life Service CO., Ltd. offers property management services. The company manages residential properties, government facilities, financial institutions, property sales offices, parks, and other facilities. Yincheng Life Service also provides life community value added services.	761
AUX International Holding Ltd (2080 HK Equity)	AUX International Holdings Limited is principally engaged in the provision of property management services and related value-added services in Mainland China. It is also engaged in the operation of clubbing business and restaurant and bar outlets in Hong Kong.	222
China Overseas Property Holdings Ltd (2669 HK Equity)	China Overseas Property Holdings Limited operates as a property management firm. The company manages residential communities, commercial properties and government properties in Hong Kong, China, and Macau.	26,722
Greentown Service Group Co Ltd (2869 HK Equity)	Greentown Service Group Co. Ltd. operates in the real estate service industry. The company provides property management, consulting, and community value-added services.	16,835
Binjiang Service Group Co Ltd (3316 HK Equity)	Binjiang Service Group Co. Ltd. operates as a reputable property management service provider. The company offers property management services including security, cleaning, gardening, repair, maintenance, and ancillary services to at residential and non-residential properties. Binjiang Service Group serves customers in China.	5,274



# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

<b>Comparable Companies</b>	<b>Business Descriptions</b>	<b>Market Capitalization as of the Valuation Date</b> <i>(HK\$ million)</i>
A-Living Smart City Services Co Ltd (3319 HK Equity)	A-Living Smart City Services Co., Ltd. offers property management services. The company provides hydropower maintenance, parking management, home cleaning, and other services. A-Living Smart City Services also engages in interior decoration works, landscaping works, and others.	13,362
Poly Property Services Co Ltd (6049 HK Equity)	Poly Property Services Co., Ltd. provides property services. The company offers property management, property projects pre-consultation, post-delivery evaluation and analysis, professional equipment and facilities maintenance, housekeeping, and other services. Poly Property Services provides services in China.	25,481
Hevol Services Group Co Ltd (6093 HK Equity)	Hevol Services Group Co. Limited provides real estate services. The company develops properties. Hevol Services Group serves customers in China.	2,061
Country Garden Services Holdings Co Ltd (6098 HK Equity)	Country Garden Services Holdings Company Limited provides real estate development services. The company develops residential apartments, multi-functional complex buildings, government and public facilities, industrial parks, highway service stations, and schools. Country Garden Services Holdings serves clients in China.	65,574



# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

Comparable Companies	Business Descriptions	Market Capitalization as of the Valuation Date (HK\$ million)
Times Neighborhood Holdings Ltd (9928 HK Equity)	Times Neighborhood Holdings Limited provides real estate services. The company offers property management solutions such as cleaning, gardening, repairing, and maintenance activities. Times Neighborhood Holdings serves customers in China.	1,015
Powerlong Commercial Management Holdings Ltd (9909 HK Equity)	Powerlong Commercial Management Holdings Limited offers real estate services. The company provides residential property management, office buildings management, serviced apartments management, and other services. Powerlong Commercial Management Holdings provides its services throughout China.	4,153

Source: Bloomberg and annual reports of the comparable companies

During the selection process of the comparable companies, we noted there were limited companies principally engaged in property management in the PRC, which were actively listed in Hong Kong for three years as of the Valuation Date. Considering a reasonable sample size of comparable companies and availability of market data for the valuation, we have deployed selection criteria which focus on the principal business and location of operation regardless of the market capitalization of the comparable companies. Also, there is no apparent direct relationship observed between the market capitalization and the P/E multiples of the comparable companies shortlisted, it may not necessarily converge the P/E multiples of the comparable companies if additional selection criteria on market capitalization is being applied. Furthermore, the market capitalization range or cut-off point to be applied as selection criteria might be subjective that the result may be biased. Hence, market capitalization of the comparable companies was not considered as our selection criteria.

Below are the P/E multiples of the comparable companies as of the Valuation Date as extracted from Bloomberg to arrive at the market value of the Acquisition Company.





# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

Comparable Companies	P/E Multiple
GR Properties Ltd (108 HK Equity)	(Note 1) N/A
Riverine China Holdings Ltd (1417 HK Equity)	17.5 x
Zhong Ao Home Group Ltd (1538 HK Equity)	4.7 x
S-Enjoy Service Group Co Ltd (1755 HK Equity)	16.2 x
Yincheng Life Service Co Ltd (1922 HK Equity)	6.1 x
AUX International Holding Ltd (2080 HK Equity)	11.5 x
China Overseas Property Holdings Ltd (2669 HK Equity)	21.0 x
Greentown Service Group Co Ltd (2869 HK Equity)	26.4 x
Binjiang Service Group Co Ltd (3316 HK Equity)	11.0 x
A-Living Smart City Services Co Ltd (3319 HK Equity)	6.2 x
Poly Property Services Co Ltd (6049 HK Equity)	19.7 x
Hevol Services Group Co Ltd (6093 HK Equity)	25.8 x
Country Garden Services Holdings Co Ltd (6098 HK Equity)	29.0 x
Times Neighborhood Holdings Ltd (9928 HK Equity)	(Note 1) N/A
Powerlong Commercial Management Holdings Ltd (9909 HK Equity)	8.0 x
<b>Median</b>	<b>16.2 x</b>
<b>Average</b>	<b>15.6 x</b>

Source: Bloomberg

Note 1: The company recorded net loss in the latest financial year as of the Valuation Date.

Based on our observation of the P/E multiples of comparable companies above, the average of P/E multiples is 15.6 x, which is close to the median of the same of 16.2 x. While both average and median are common measures of central tendency, median is preferred over average as it is less affected by outliers and skewed data. Hence, median is considered to be more appropriate.

We multiplied the median P/E multiple of the comparable companies as of the Valuation Date by the latest 12-month normalized net profit of the Acquisition Company to arrive at the equity value of the Acquisition Company. The latest 12-month normalized net profit was based on the accountants' report of the Acquisition Company for the year ended December 31, 2022, excluding any non-recurring other income/expense and with statutory profit tax rate of China. We then adjusted the derived equity value of the Acquisition Company with discount for lack of marketability ("DLOM") and control premium to account for the fact that the Acquisition Company is a private company and the 100% equity interest in the Acquisition Company as of the Valuation Date is determined on a controlling basis.



### **Discount for Lack of Marketability (“DLOM”)**

The value of privately held shares is not directly comparable to the value of publicly traded securities. This is due to the fact that shareholders of privately held companies do not have the same access to trading markets that shareholders of publicly traded companies enjoy. Therefore, the market value of the ordinary shares must be adjusted to reflect its lack of liquidity and ready market.

A number of research studies including restricted stock studies have attempted to quantify marketability discounts. Restricted stock studies are performed by comparing the prices at which a restricted stock trades vis-à-vis its publicly traded counterpart. A restricted stock is one that is identical to its company’s publicly traded issue but carries a short-term restriction on marketability. In the case of transfers of restricted stock, these studies provide evidence for the application of a discount placed on illiquid investments.

Based on Stout Restricted Stock Study Companion Guide 2022 published by Stout Risius Ross, LLC, a DLOM of approximately 20.5% has been adopted.

### **Control Premium**

A control premium is the premium an investor is willing to pay in addition to a marketable controlling equity value to obtain controlling interest in a business subject. The value derived from the guideline public company method represents a minority basis, therefore adjustment has been made to reflect the degree of control associated with 100% equity interest in the Acquisition Company.

Based on Mergerstat Control Premium Study published by FactSet Mergerstat, LLC, a control premium of approximately 22.6% has been adopted.



# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

### Summary of Calculation

The latest 12-month normalized net profit was estimated based on the accountants' report of the Acquisition Company for the year ended December 31, 2022, excluding any non-recurring other income/expense and with statutory profit tax rate of China, as follows:

Latest 12-month profit before taxation of the Acquisition Company ( <i>HK\$</i> )	8,362,934
RMB/HKD exchange rate based on the accountants' report	1.1606
<b>Latest 12-month profit before taxation of the Acquisition Company (<i>RMB</i>)</b>	<b>7,205,414</b>
Normalization adjustments:	
Add: Non-recurring other operating expenses	1,759
Less: Non-recurring other operating income	(154,902)
<b>Latest 12-month normalized profit before taxation of the Acquisition Company (<i>RMB</i>)</b>	<b>7,052,271</b>
Less: Statutory profit tax expense of China at rate of 25% ( <i>RMB</i> )	(1,763,068)
<b>Latest 12-month normalized net profit of the Acquisition Company (<i>RMB</i>)</b>	<b>5,289,203</b>

Details of the calculation of the market value of the Acquisition Company using P/E multiple was illustrated as follows:

	As of December 31, 2022 <i>RMB</i>
Latest 12-month normalized net profit of the Acquisition Company	5,289,203
Multiplied by: Median P/E multiple as of the Valuation Date	16.2 x
<b>Equity Value (marketable and minority basis)</b>	<b>85,919,484</b>
Less: DLOM	(17,613,494)
Add: Control Premium	19,417,803
<b>Market Value of 100% Equity Interest in the Acquisition Company (non-marketable and controlling basis)</b>	<b>87,723,793</b>
<b>Market Value of 100% Equity Interest in the Acquisition Company (Rounded)</b>	<b>87,700,000</b>

*Note:* The total may not sum up due to rounding.





## 9 MAJOR ASSUMPTIONS

In this appraisal, a number of assumptions have to be made in order to sufficiently support our concluded value of the Acquisition Company. Any deviation from the below major assumptions may significantly vary the valuation result. The major assumptions adopted in this appraisal are:

- The accountants' report of the Acquisition Company for the year ended December 31, 2022 as provided by the Management can reasonably represent its financial position and performance of the Acquisition Company as of the Valuation Date;
- There will be no major changes in the current taxation laws in the territories (the "Territories") in which the Acquisition Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major changes in the political, legal, economic or financial conditions in the Territories in which the Acquisition Company operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Acquisition Company;
- The Acquisition Company will retain and have competent management, key personnel, and technical staff to support its ongoing operation;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Acquisition Company operates or intends to operate has or would be officially obtained and renewable upon expiry;
- Industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and
- All information and representations provided by the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

## 10 CONCLUSION OF VALUE

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 100% equity interest in the Acquisition Company as of December 31, 2022 is reasonably represented in the amount of approximately, **RENMINBI EIGHTY SEVEN MILLION SEVEN HUNDRED THOUSAND ONLY (RMB87,700,000)**.





# INTERNATIONAL VALUATION LIMITED 國際評估有限公司

This report and the observations and analyses are intended solely for use by the Company for the purpose of assisting the Company to assess the market value of the Acquisition Company as of the Valuation Date and are not to be reproduced, disseminated or disclosed, in whole or in part, to any other party except in accordance with the terms of our engagement letter. The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Company and the Acquisition Company.

Yours faithfully,

For and on behalf of

**International Valuation Limited**



Prepared and analyzed by:

**Winnie Lam, CFA**

**Alan Wu, CFA, FRM**

*Ms. Winnie Lam has more than ten years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. Ms. Lam is a charter holder of Chartered Financial Analyst (CFA) and she graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration, double-major in finance and management of organizations.*

*Mr. Alan Wu has over five years of experience in valuations of businesses, early-stage companies, intangible assets, purchase price allocation for financial reporting and transaction reference. Mr. Wu is a charter holder of Chartered Financial Analyst (CFA) and Financial Risk Manager (FRM). He graduated from City University of Hong Kong with a master's degree in Applied Economics.*



## 11 STATEMENT OF LIMITING CONDITIONS

This analysis is subject to the following limiting conditions:

1. This appraisal report cannot be included or referred to in any prospectus, offering memo, loan agreement, registration statement, regulatory authority filings, legal and court proceedings or other public documents.
2. This report has been made only for the purpose stated and shall not be used for any other purpose. The information contained in this report is specific to the needs of the Company and for the intended use stated in this report. Neither International Valuation Limited (“IVL”) nor the appraiser is responsible for unauthorized use of this report. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of IVL or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Company, its financial accounting firm and attorneys, regulatory authorities, by any means without the prior written consent and approval of IVL. We assume no responsibilities or liabilities for any losses incurred as a result of unauthorized circulation, publication or reproduction of this report in any form and/or if used contrary to the purpose stated therein.
3. Information furnished by others or taken from the Company’s reports and records, standard reference manuals, publications and other sources, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information. We do not accept any responsibilities for any errors or omissions in the information or any consequence liabilities arising from commercial decision or actions resulting from them.
4. IVL assumes no responsibility for legal matters including interpretations of either the law or contracts. No investigation has been made of, and no responsibility is assumed for, the legal description, or for legal matters regarding the valuation subject.
5. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.



# INTERNATIONAL VALUATION LIMITED

## 國際評估有限公司

6. The date of value to which the estimate, conclusions and opinion expressed in this report applies is set forth in the beginning of this report. This appraisal is valid only for the valuation date indicated. Our value opinion is based on the purchasing power of the reporting currency as of this date. The opinion of value is estimated based on the financial conditions prevailing as of the date of this appraisal.
7. For events that occur subsequent to the appraisal date hereof, no responsibility is taken and no obligation is assumed to revise this report to reflect the impact, if any, of these events or changing conditions as they may have upon the subject although we reserve the right to do so. Neither IVL nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.
8. It is assumed that all required licenses, certificates, or other legislative or administrative authority from any local, or national government or private entity or organization have been, or can readily be obtained, or renewed for any use on which the value estimates provided in this report are based.
9. We have made no investigation of and assumed no responsibility for the ownership or any liabilities against the valuation subject. Responsible ownership and competent management are assumed.
10. Any allocation in this report of the total valuation among components of the valuation subject and the weighting of the reported values among the various appraisal approaches applies only to the program of utilization stated in this report. The separate values for any components or approaches may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.
11. This appraisal report might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the appraiser's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the Company and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
12. Our valuation is only an indicative quantum at which interests in the valuation subject might be reasonably be expected to be sold or disposed at the valuation date hereof and may be different from the actual transacted price.





INTERNATIONAL VALUATION LIMITED  
國際評估有限公司

13. To the best of our knowledge and belief, the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are impartial, and unbiased professional analyses, opinions, and conclusions.
  
14. Neither IVL nor any individual signing or associated with this report has any present or prospective interest in the valuation subject of this report and with respect to the parties involved. IVL or any individual signing or associated with this report has no bias with respect to the valuation subject of this report or to the parties involved with this assignment. The engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation of IVL or any individual signing or associated with this report for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the Company, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.