CONSULTING & APPRAISAL
亚太評估

Asia-Pacific Consulting and Appraisal Limited
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300 Lockhart Road,
Wan Chai, Hong Kong

May 23, 2025

The Board of Directors
Be Friends Holding Limited
Unit 10, 4th Floor Kwai Cheong Center,
No. 40–52 Kwai Cheong Road
New Territories
Hong Kong

Dear Sirs,

In accordance with the instructions received from Be Friends Holding Limited ("Be Friends" or the "**Group**"), we have undertaken a valuation exercise which requires Asia-Pacific Consulting and Appraisal Limited ("**APA**") to express an independent opinion on the market value of 100% equity interest of Century Sage Scientific International Limited ("Century Sage Scientific" or the "Target Company"), and its subsidiaries (collectively, the "**Target Group**") as at December 31, 2024 (the "**Valuation Date**").

The purpose of this valuation is for circular reference of the Group.

Our valuation was carried out on a market value basis which 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 will not accept any responsibility or liability to any person other than the Group in respect of, or arising out of, the contents of this report may be shown. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

INTRODUCTION

APA understands that a sale and purchase agreement (the "**Sale and Purchase Agreement**") is entered into by and between WINNER TEAM LIMITED (the "**Buyer**") and the Group (the "**Seller**"). Pursuant to the Sale and Purchase Agreement, the Buyer will acquire 100% equity interest in the Target Group from the Group for a consideration of RMB2.54 million in cash (the "**Disposal**"). The Group would substantively dispose its television broadcasting business and assets through the Disposal.

The Target Group principally engages in television broadcasting business in the all-media service industry involving providing television broadcasting industry system integration, equipment maintenance and product sales in China. The Target Group controls 20 companies through direct and indirect holdings, including 6 companies in China and 14 companies abroad. Currently, the 14 companies outside of China have largely ceased operations or operate on a relatively small scale.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is extracted from the unaudited consolidated financial statements for years ended December 31, 2022, December 31, 2023 and December 31, 2024 of the Target Group:

	For year ended December 31, 2022 *RMB '000* Unaudited	**For year ended December 31, 2023** *RMB '000* Unaudited	**For year ended December 31, 2024** *RMB '000* Unaudited
Revenue	126,986	85,603	113,143
EBITDA (Note 1)	(7,495)	(3,983)	(4,792)
Net profit	(26,631)	6,290 (Note 2)	(21,388)

Note 1: EBITDA is the earnings before interest, tax, depreciation and amortization.

EBITDA = Revenue - Costs of goods sold - Marketing expenses - Management and administrative expenses - Research and development expenses - Construction expenses

EBITDA has excluded the non-operating and non-recurring items such as gain or loss on disposal of property, plant and equipment, gain or loss on foreign exchange, investment profit, etc.

Note 2: Compared to the Target Group's loss position as of December 31, 2022 and December 31, 2024, the net positive net profit as of December 31, 2023 was primarily attributable to non-recurring reversal of contingent consideration receivable gain of RMB17.33million. If the impact of the contingent consideration is excluded, the Target Group's net loss for the year ended December 31, 2023 would have been RMB11.03 million.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, asset-based approach and income approach.

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the 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.

Asset-based approach refers to the valuation methodology to determine the value of the subject on a reasonable basis by valuating an enterprise's value contribution to the overall on-balance-sheet and off-balance-sheet assets and liabilities, based on the balance sheet of the subject as at the valuation date. The asset-based approach is a hybrid valuation method, this method requires us to conduct valuations for each individual assets and liabilities of the subject entity. The asset-based approach is commonly adopted in capital-intensive companies, such as manufacturing (e.g., machinery, automotive, steel), energy & infrastructure (e.g., power, oil & gas, ports), real estate, banking and other financial or investment sectors or there are substantial limitations on using market approach and income approach.

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.

Given the characteristics of the Target Group, there are substantial limitations for the market approach and the asset-based approach, the income approach is more appropriate for valuing the underlying asset.

Firstly, in light of competitive competition in television broadcasting business in China and the market participants in the industry are actively transforming and expanding into new businesses; meanwhile, the Target Group is suffering business contraction due to reduction in budgets or the postponement of projects by traditional and sustainable customers, there are no available comparable public companies and transactions as of the Valuation Date which are in the same operating condition as the Target Group. In determining the comparable companies under the market approach, we considered those listed companies that derive over 50% of their revenue from television broadcasting industry system integration and equipment maintenance in China. As sourced from Capital IQ, a reliable third-party database service provider designed by Standard & Poor's, two companies met these criteria: China Digital Video Holdings Limited (SEHK:8280) ("**China Digital Video**") and AVIT Ltd. (SZSE:300264) ("**AVIT**"). We note that, (a)China Digital Video has not yet released its 2024 annual report rendering its 2024 financial data unavailable; (b) AVIT's last twelve-month enterprise value to sales multiple ("**LTM EV/S multiple**", 16.15x) for 2024 is significantly higher than industry level in IT Consulting and Other Services, that AVIT is not appropriate. Thus, the market approach is not appropriate in this case.

Second, although the Target Group is currently in a loss-making position, its post-pandemic 2024 financial data shows signs of recovery. It is estimated that, the Target Group's future revenue structure is shifting toward higher-margin business segments such as sales of self-developed product, while simultaneously reducing certain expenses. The asset-based approach does not directly incorporate information about the economic benefits contributed by the factors above and also does not incorporate the synergies between different tangible and intangible assets, including human resource and management structure. In the Target Group's asset structure, receivables (including trade receivables and other receivables) and inventories accounted for approximately 64.74% of total assets, while long-term equity investments represented approximately 14.62% of the total assets. The high proportion of receivables and inventories primarily stems from prolonged delivery and payment cycles in its broadcasting business with clients, and the long-term equity investments relate to stakes in affiliates. None of these assets constitute the core sources of the Target Group's value or competitive advantage. Through management interviews, we confirmed that the Target Group's value and core competitiveness stem from its accumulated live-broadcast technologies, specialized team expertise, customer relationship networks, and brand reputation. Thus, the asset-based approach is not appropriate in this case.

In view of the above, in forming our opinion, we relied solely upon the income approach to determine the equity value of the Target Group. In this valuation exercise, the equity value of the Target Group was developed through the application of the income approach technique known as the discounted cash flow method ("**DCF**"). This method eliminates the discrepancy in the time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the Target Group.

Under this method, values depend on the present worth of future economic benefits to be derived from the projected sales income. Indications of value have been developed by discounting projected future net cash flows available for payment of shareholders' interest to their present worth at discount rates which in our opinion are appropriate for the risks of the business. In considering the appropriate discount rate to be applied, we have taken into account a number of factors including the current cost of finance and the considered risk inherent in the business.

In arriving at the assessed value, the core business of the Target Group as well as its related expenses such as costs of goods sold, marketing expenses, management and administrative expenses, research and development expenses, construction expenses, depreciation and amortization and tax expenses are considered in the valuation model. Therefore, we have not made provision for other non-operation cash flow items such as gain or loss on disposal of property, plant and equipment, gain or loss on foreign exchange, investment profit, etc. in the valuation models.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of the legal status and financial condition of the Target Group and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business of the subject asset;
- The unaudited consolidated financial statement for the years ended December 31, 2022, December 31, 2023 and December 31, 2024 of the Target Group;
- The projected financial performance of the Target Group;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis of the micro and macro economy affecting the subject business; and
- Other operational and market information in relation to the Target Group's business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Group.

VALUATION ASSUMPTIONS

In determining the market value of the equity interest in the Target Group, we make the following key assumptions:

- It is assumed that the projected revenue and income will be according to the proposed business plan of the Target Group and could be achieved with the effort of the Target Group' s management;
- All relevant legal approvals and business certificates or licenses to operate the business in which the Target Group operates or intends to operate have been or would be officially obtained and renewable upon expiry;
- In order to realize the future economic benefit of the business and maintain a competitive edge, manpower, equipment and facilities are necessary to be employed. For the valuation exercise, we have assumed that all proposed facilities and systems will work properly and will be sufficient for future operation;
- It is assumed that there will be no material changes in the international financial environment, global economic environment and national macroeconomic conditions, and that there will be no material changes in the political, economic and social environment in which the Target Group operates;
- It is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- We have assumed the accuracy of the financial and operational information provided to us by the Target Group and relied to a considerable extent on such information in arriving at our opinion of value; and
- We have assumed that there are no hidden or unexpected conditions associated with the Target Group that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

MAJOR ASSUMPTIONS AND PARAMETERS

Major assumptions related to market value of the equity interest in the Target Group under DCF are listed below:

Forecast Period

Forecast period of the Target Group are five years from January 1, 2025 and ending on December 31, 2029.

Income Tax Rate

Reference to the primary income tax rate of the Target Group, being 25% is applied. During the forecast period from 2025 to 2029, the Target Group will have sufficient accumulated tax losses to offset taxable income, resulting in no income tax expense.

Financial Forecast

Revenue of the Target Group mainly comprises television broadcasting system integration, broadcasting equipment maintenance and self-developed product sales. We are provided with the revenue forecasts of the Target Group for the five years forecast period.

The projected costs of goods sold mainly consist of procurement, installation, and dismantling cost, staff costs. The projected marketing expenses mainly consist of staff costs, entertainment expenses, travel expenses, tender document fee and exhibition related costs. The projected management expenses mainly consist of staff costs, entertainment expenses, office rent, property management fee, office expense and consulting fee. The projected research and development expenses mainly consist of staff costs.

Details of major financial forecast are listed as follows:

	2025	2026	2027	2028	2029
Growth Rate	10%	10%	10%	8%	5%
Revenue *(RMB'000)*	124,457	136,903	150,593	162,641	170,773

Note: Regarding customer base, the Target Group has moved beyond its original single-type TV station customers to a more diverse range. This new demand compensates for the decline in traditional TV station related business.

Given the relatively volatile historical revenue growth rates of the Target Group (2023: -32.59%; 2024: 32.17%) and in light of recovery in revenue growth in 2024, the Target Group are projected to maintain a moderate growth rate in line with the market level. In our analysis, we examined and made reference to the revenue growth rates of industry peers over the past five years (2020-2024). Excluding anomalous periods —2020 (the initial year of the COVID-19 pandemic) and 2023 (the first post-COVID-19 pandemic normalization year) — the mean growth rates of the industry peers for 2021, 2022, and 2024 were approximately 8.11%, 4.89%, and 11.78%, respectively, ranging from 5% to 10%. Consequently, it is appropriate to adopt a 5%-10% revenue growth rate range for the Target Group in the forecast period.

Unit: RMB'000	2025	2026	2027	2028	2029
Total operational expenses	122,339	124,930	133,831	142,849	149,308
Cost of goods sold	82,142	83,511	91,861	99,211	104,171
Operating expenses	40,197	41,420	41,969	43,638	45,136

	2025	2026	2027	2028	2029
EBITDA Margin	4.80%	12.04%	14.04%	15.42%	16.10%
EBITDA *(RMB '000)*	5,979	16,478	21,136	25,083	27,488

Note: EBITDA Margin = EBITDA / Revenue

The sales of self-developed products are a high-margin business for the Target Group and have already achieved substantial revenue. The Target Group's future strategy will prioritize allocating resources to self-developed product sales, which is expected to gradually increase their revenue contribution over time. Meanwhile, research and development expenses related to self-developed product will not rise significantly in tandem, as the initial product development phase has been completed. Subsequent research and development expenses will primarily focus on product improvements or upgrades. Additionally, the Target Group has begun controlling management expenses in recent years and plans to maintain the current scale of administrative personnel, keeping management expenses relatively stable. This disciplined approach will enable the Target Group to turn losses into profits in the future and gradually align its profitability with industry benchmarks.

Since synergies from revenue expansion and cost efficiency measures of the Target Group have narrowed operating losses since 2024 and the Target Group is expected to operate through a sustainable operating model through the synergies from revenue expansion and cost efficiency *plans in the future, its profitability is projected to align with industry benchmarks. The estimated EBITDA Margin ranged from approximately 48% to approximately 16% during the forecasted period and stabilized at around 16%. According to relevant data from industry peers, the median EBITDA Margins (excluding negative numbers) of industry peers form 2020-2023 were approximately 16.5%, 16.9%, 17.3% and 7.3% respectively. This shows that the projected EBITDA Margins of the Target Group are in line with the industry levels.*

	2025	2026	2027	2028	2029
EBIT Margin	1.70%	8.75%	11.13%	12.17%	12.57%
EBIT*(RMB '000)*	2,118	11,972	16,762	19,791	21,465

Note: EBIT is the earnings before interest and tax

EBIT = Revenue - Costs of goods sold - Marketing expenses - Management and administrative expenses - Research and development expenses - Construction expenses - Depreciation and amortization

EBIT margin = EBIT / Revenue

Unit: RMB '000	2025	2026	2027	2028	2029
EBIAT	2,118	11,972	16,762	19,791	21,465

Note: EBIAT is the earnings before interest after tax

EBIAT = Revenue - Costs of goods sold - Marketing expenses - Management and administrative expenses - Research and development expenses - Construction expenses - Depreciation and amortization - Tax expenses

Net Working Capital("NWC") and NWC Change

The NWC equals to the current operation assets minus the current operating liabilities and the NWC in the forecasted period is determined by referring the Target Group's historical turnover days of working capital items. The NWC change equals to the NWC in next year minus the NWC in current year. The NWC and NWC change in the forecast period are estimated as follows:

Unit: RMB '000	2024	2025	2026	2027	2028	2029
NWC	62,235	67,643	72,485	79,901	86,418	90,803
NWC Change	N/A	5,408	4,842	7,416	6,517	4,385

Capital Expenditure ("CAPEX")

According to the management's business plan in the forecasted period, the capital expenditure is estimated based on replacement of necessary broadcast equipment. The CAPEX in the forecasted period is estimated as follows:

Unit: RMB '000	2025	2026	2027	2028	2029
CAPEX	4,000	4,000	4,000	4,000	4,000

Depreciation and amortization

Based on the estimated CAPEX and forecast period, the depreciation and amortization is estimated as follows in the forecasted period:

Unit: RMB '000	2025	2026	2027	2028	2029

Depreciation and amortization	3,860	4,505	4,374	5,292	6,023

Free Cash Flow to Firm ("FCFF") Forecast

With reference to above the estimated parameters, the net cash flow forecast was calculated as follows:

Unit: RMB '000	**2025**	**2026**	**2027**	**2028**	**2029**
FCFF	(3,429)	7,635	9,721	14,566	19,103

Note: FCFF = EBIAT -NWC Change – CAPEX + Depreciation and amortization

Discount Rate

The discount rate applied to the valuation of the equity value of the Target Group under the DCF based on the weighted average cost of capital (**"WACC"**), WACC is the weighted average of cost of equity and cost of debt, cost of equity is determined by capital asset pricing model (**"CAPM"**), cost of debt refers to the five-year Loan Prime Rate (**"LPR"**) from the People's Bank of China, net of tax effect. In arriving at the WACC, the key parameters and calculation are listed as follows:

(i) risk-free rate

the risk-free rate adopted as 1.97% represented the yield of China Government bond with maturity of 20 years quoted on the website (www.chinabond.com.cn);

(ii) equity risk premium

equity risk premium adopted as 7.17% refers to the "Kroll Cost of Capital Navigator" research regarding equity risk premium published by Kroll, LLC;

(iii) beta

the beta adopted as 1.40 refers to the beta of the comparable companies through Capital IQ data base;

(iv) other specific risk premium

other specific risk premium consists of size premium, which adopted as 2.91% refers to the "Kroll Cost of Capital Navigator" research regarding size premium published by Kroll, LLC.

cost of equity=(i)+(ii) *(iii)+(iv) =1.97%+7.17%*1.40+2.91%= 14.91%

*(v) debt to market capitalization ratio ("**D/E ratio**")*

D/E ratio adopted as 1.97% refers to the data of the comparable companies through Capital IQ data base;

(vi) cost of debt

cost of debt adopted as 2.70%, which is determined with reference to the LPR, sourced from the People's Bank of China, net of tax effect.

(vii) WACC

WACC is calculated by multiplying the cost of each capital component by its proportional weight, the formula and calculation are as follows:

WACC= E/(E+D) * cost of equity+ D/(E+D) *cost of debt (net of tax effect)
= cost of equity /(1+D/E ratio) + cost of debt (net of tax effect) * D/E ratio/ (1+D/E ratio)
= cost of equity/(1+(v)) +(vi) *(v)/(1+(v))
= 14.91%/(1+1.97%) + 2.70%*1.97%/ (1+1.97%) =15.00% (rounded)

CALCULATION OF VALUATION RESULT

The basic formula ofDCF model is: Present Value of Net Cash Flow= Net Cash Flow/ (1+Discount rate) ^Discount period

The calculation ofthe market value of the equity value of the Target Group at the Valuation Date is as follows:

Unit: RMB'000	**2025**	**2026**	**2027**	**2028**	**2029**	**Terminal**
(i) Net Cash Flow	**(3,429)**	**7,635**	**9,721**	**14,566**	**19,103**	**14,605**
(ii) Discount rate	15%					
(iii) Discount period*(Note 1)*	**0.5**	**1.5**	**2.5**	**3.5**	**4.5**	**4.5**
(iv) Discount factor*(Note 2)*	0.93	0.81	0.71	0.61	0.53	0.53
(v) Present Value of Net Cash Flow*(Note 3)*	(3,198)	6,191	6,854	8,931	10,185	
(vi) Terminal value						**59,897**
Terminal growth rate*(Note4)*	2.00%					
(vii) Enterprise value of the Target Group						**88,860**
(viii)Add: Excess cash and excess assets*(Note 5)*						110,341
(ix) Less: Debt and excess liabilities*(Note 6)*						195,788
(x) Less: Minority interest*(Note 7)*						0
(xi) Equity Value before DLOM (*rounded*)						**3,413**

Note 1: Since the cash inflows and outflows occur continuously year-round, it could be inaccurate to assume that the cash proceeds are all received at the end of each year. As a compromise, mid-year discounting is oftentimes integrated into DCF model to assume that free cash flows are received in the middle of the annual period. The mid-year convention treats forecasted free cash flows as if they were generated at the midpoint of the period. So, the first year is discounted by half a year (0.5 years) and the second year by 1.5 years.

Note 2: (iv)=1/ (1+ii) ^(iii)

Note 3: (v)=(i)(iv)*

Note 4: Terminal growth rate of 2% refers to the estimated inflation rate in China sourced from International Monetary Fund, World Economic Outlook Database, October 2024.

Note 5: Under the DCF model, the free cash flow to firm only incorporates economic values of the operating items including net working capital, property, plant and equipment, intangible assets, etc. while excluding the non-operating items. Thus, the adjustment of excess items includes each item of non-operating assets and liabilities.

Excess cash consists of cash and cash equivalent amounted to approximately RMB14.73 million, with reference to its book value. Excess assets consist of other receivable of approximately RMB51.19 million (mainly comprising deposits, guarantee deposits, related party balances, etc.) and long-term receivable of approximately RMB4.14 million (arising from the previous sale of subsidiaries), both referenced at their book values.

*The long-term investment, representing 45% equity value of Beijing Evertop Sports Culture Media Co., Ltd, (**"Beijing Evertop"**) held by the Target Group, amounted to RMB40.28 million with reference to its market value determined by market approach. In determining the market* *value of Beijing Evertop, key factors which have been taken into account include (among other things):*

(a) the financial conditions of Beijing Evertop, including its last-twelve-months net profit as at December 31, 2024 of approximately RMB6.326 million;

(b) the price-to-earnings ("P/E") market multiple of 17.40x, derived from the average level of the selected five listed comparable companies in sports media, sports event organization and related services industry that share similarities with Beijing Evertop;

(c) the discount for lack of marketability of 18.7% derived using the Finnerty Option Pricing Model;

Note 6: Debt and Excess liabilities consist of bank borrowing (including interest payable) of approximately RMB175.84 million and other payable of approximately RMB19.94 million with reference to its book value.

Note 7: The subsidiary of Target Group generating minority interests are projected by management to maintain a break-even position in future periods.

DISCOUNT FOR LACK OF MARKETABILITY ("DLOM")

The level of a company value can be described as: the marketable minority interest value which refers to the price quoted in public market less the DLOM equals to the non-marketable minority interest value representing the non-controlling shareholder of a private company.

A factor to be considered in valuing closely held companies 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.

Most of the businesses or financial interests that we are valuing do not enjoy immediate liquidity. We thus face the task of making an adjustment from the value we have estimated from the transactions observed in the market approach to account for the lack of marketability of the business or business interest that we are valuing. That adjustment is what we refer to as the discount for lack of marketability.

In this valuation exercise, we have assessed the DLOM using the put option method, which is one of the most commonly used theoretical models. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. The value of put option is determined by "Finnerty Option Pricing Model" (**"Finnerty Model"**) with the following parameters:

Parameter	**Value for the Target Group**	**Remarks**
Spot Price	1.00	As we are calculating a percentage for the DLOM, for simplicity, we set the spot price to be 1.00 in the valuation.
Exercise Price	1.00	According to the study, the put option is at-the-money, such that the exercise price should equal the

Parameter	Value for the Target Group	Remarks
		spot price.
Volatility	76.03%	With reference to median volatility of the comparable companies which are same as the comparable companies for determining WACC of the Target Group, as sourced from Capital IQ.
Maturity	3 years	It is an approximation of holding period that assuming a market participant who owns a business entity would dispose of that business entity. The management of the Target Group is satisfied that 3 years would be a reasonable assumption.

By using the Finnerty Model and based on the above assumptions, the estimated DLOM for the Target Group is 25.5% and we apply 25.5% as DLOM for the Target Group.

CALCULATION OF VALUATION RESULT

Based on the results of our investigations and analyses, we are of the opinion that the market value of the Target Group as at the Valuation Date taking into account of DLOM is reasonably stated as follows:

	As at **December 31, 2024**
100% Equity Value before DLOM *(RMB '000)*	3,413
Adjusted for DLOM at 25.5%	(1-25.5%)
100% Equity Value of the Target Group *(RMB '000)*	2,543

SENSITIVITY ANALYSIS

Sensitivity analysis in market value of 100% equity interest in the Target Group was carried out by varying discount rate and revenue, the results of sensitivity analysis are summarized as follows:

Sensitivity Analysis - Discount Rate

Discount Rate	**Market Value** *(RMB '000)*
16% **(Base+1%)**	0
15% **(Base)**	2,543
14% **(Base-1%)**	8,873

Sensitivity Analysis - Revenue

Revenue	**Market Value** *(RMB '000)*
Base *(1+5%)	6,805
Base	2,543
Base *(1-5%)	0

VALUATION COMMENT

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. Further, while the assumptions and other relevant factors 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 Target Group, the Group and Asia-Pacific Consulting and Appraisal Limited.

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

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value of 100% equity interest of the Target Group as at the Valuation Date is reasonably stated approximately at the amount of **RMB2,543,000 (RENMINBI TWO MILLION FIVE HUNDRED AND FORTY-THREE THOUSAND YUAN ONLY).**

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited

Jack W. J. Li
CFA, MRICS, MBA
Partner

Note: Jack W. J. Li is a Chartered Surveyor who has over 15 years' experience in the valuation in the PRC, Hong Kong and the Asia-Pacific region.

David G.D Cheng
MRICS
Partner

Note: David G.D. Cheng is a Chartered Surveyor who has over 20 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.