CONSULTING & APPRAISAL
亚太評估

Asia-Pacific Consulting and Appraisal Limited
Flat/RM A 12/F Kiu Fu Commercial Bldg,
300 Lockhart Road,
Wan Chai, Hong Kong

October 17, 2025

The Board of Directors
Be Friends Holding Limited
Unit 1202A, 12F
Keybond Commercial Building
38 Ferry Street
Kowloon
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 Hangzhou Be Friends Education Technology Co., Ltd. * (杭州交個朋友教育科技有限公司)("**Be Friends Education Technology**" or the "**Target Company**"), and its subsidiaries (collectively, the "**Target Group**") as at June 30, 2025 (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 Be Friends Selected Technology Limited* (交個朋友優選科技有限公司), an indirect wholly-owned subsidiary of the Company, will acquire 65.065% equity interest in the Target Company from the existing shareholders of the Target Company and 85% partnership interest in Longquan Mangyuan Technology Partnership (Limited Partnership)* (龍泉莽原科技合夥企業(有限合夥)) (the "**Partnership**") which in turn holds 34.935% of the equity interest in the Target Company, and Hangzhou Yijiang Future Wisdom Technology Co., Ltd.* (杭州易匠未來智慧科技有限公司), another indirect wholly-owned subsidiary of the Company, will acquire 15% partnership interest in the Partnership. Certain shareholders of the Target Company and certain partnership holders of the Partnership have provided a performance guarantee in respect of the Target Group's consolidated results for the three years ending December 2025, 2026 and 2027 with the audited consolidated net profit of the Target Group (before deducting non-recurring gains and losses) attributable to shareholders of the Target Company shall not be less than the following amount:

- RMB 18.0 million for the year ending December 31, 2025;
- RMB 21.0 million for the year ending December 31, 2026; and
- RMB 24.0 million for the year ending December 31, 2027.

The Target Company is a limited liability company incorporated in the PRC. The Target Group principally engages in the business of providing a diverse training solutions of live-steaming e-commerce and e-commerce operation for corporate and individual clients, offering online and offline courses and dedicated live-streaming e-commerce partnership for customers.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is extracted from the audited consolidated financial statements for the two years ended December 31, 2023 and December 31, 2024 and the audited consolidated financial statements for the six months ended June 30, 2025 of the Target Group:

	For year ended December 31, 2023 *RMB'000* audited	**For year ended December 31, 2024** *RMB'000* audited	**For six months ended June 30, 2025** *RMB'000* audited
Revenue	135,906	136,017	72,569
EBITDA (Note 1)	9,377	18,201	10,601
Net profit	(1,669) (Note 2)	16,090	9,568

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

EBITDA = Revenue – Costs of goods sold – Marketing expenses – Management and administrative expenses + Depreciation and amortization

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: The loss position of net profit as of the year ended December 31, 2023 was primarily due to impairment loss on assets of RMB1.00 million, expected credit loss of RMB4.40 million and non-operating expenses of RMB1.09 million. The impairment loss on assets refers to the bad debt loss on accounts receivable, and the expected credit loss pertains to the impairment loss on long-term equity investments. Both of these losses were generated by the Target Group's overseas subsidiary business and were fully accrued in 2023. The non-operating expenses primarily consist of losses *from the disposal of fixed assets and penalty payments. These were largely due to the reintegration of the Target Group's Guangzhou subsidiary, which had been operating at a loss, back into the parent company, resulting in losses from the disposal of the subsidiary's assets. These losses were also fully accrued in 2023.*

VALUATION METHODOLOGY

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

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.

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 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.

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 asset-based approach and the market approach, the income approach is more appropriate for valuing the underlying asset, specifically:

Firstly, the asset-based approach does not directly incorporate the synergies between different tangible and intangible assets, including human resource and management structure, and cannot directly reflect the future economic benefits of the relevant assets, therefore the asset-based approach is not appropriate in this case.

Secondly, we considered guideline public comparable companies (“**GPCs**”) method under market approach in this exercise. Based on the business model and financial conditions of the Target Group, we identified the GPCs for the Target Group by adopting the following four screening criteria:

- The GPCs are operating in mainland China;
- The GPCs operate in the “Education Services” sector with reference to Capital IQ's industry classification, which is a reliable third-party database service provider designed by Standard & Poor's;
- The GPCs derive over 50% of their revenue from vocational education services during recent

three years;

- The GPCs have positive net profit in 2024, considering the Target Group has remained profitable from its first full operational year (i.e., 2022) through the Valuation Date (The loss incurred by the Target Group in 2023 was primarily attributable to one-off non-operating losses. Excluding the impact of these items, the Target Group would have achieved a pre-tax profit of RMB 8 million in 2023. As a result, loss-making companies are not comparable to the Target Group from a profitability perspective).

As sourced from Capital IQ, an exhaustive list of GPCs satisfying the above criteria was obtained on a best effort basis and the details of these comparable companies are shown below:

Company Name and Stock Code	**Company Description**	**FY 2024 Revenue % derived from vocational education business**
Offcn Education Technology Co., Ltd. (SZSE:002607)	Offcn Education Technology Co., Ltd. operates as a multi-category vocational education institution in China. The company provides recruitment examinations, enrollment examination, and vocational ability enhancement training services. It also offers educational technology consulting, technology development, technology promotion, technology transfer, and technical services; educational consulting; conference services; cultural and corporate management consulting services; corporate investment consulting services; computer technology training services; public relations services; human resources services; and telecommunications operation services. In addition, the company hosts exhibitions, and organizes cultural and artistic exchange activities.	approximately 98%
Shanghai Action Education Technology Co.,Ltd. (SHSE:605098)	Shanghai Action Education Technology Co.,Ltd. offers management training services to private entrepreneurs in China. It provides full-life cycle management education services, including management courses, on-the-job counseling, annual consulting, learning tools, etc. It also provides enterprise management consulting and training services.	approximately 81%
Fenbi Ltd. (SEHK:2469)	Fenbi Ltd., an investment holding company, provides non-formal vocational education and training services in the People's Republic of China. The company operates through tutoring services and sales of books segments. It offers tutoring services through classroom-based teachings to the students who physically attend the lectures in tutoring centers and tutoring bases/campuses, as well as online platforms comprising courses services, membership package, challenge exercise, etc. It also manufactures and sells books and offers book printing and technical services.	approximately 84%

Source: Capital IQ and annual reports of the GPCs

Three companies met these criteria: Offcn Education Technology Co., Ltd. (SZSE:002607) (“**Offcn Education**”), Shanghai Action Education Technology CO.,Ltd. (SZSE:605098) (“**Action Education**”) and Fenbi Ltd. (SEHK:2469) (“**Fenbi**”). We believe the selection criteria is fair and reasonable and each of the GPCs is principally engaged in similar business as the Target Group.

We have considered multiples related to profit and revenue: profit multiples include price to earnings multiple ("P/E Multiple"), enterprise value to earnings before interest and tax multiple ("EV/EBIT Multiple") and enterprise value to EBITDA multiple ("EV/EBITDA Multiple"). Considering the industry of the Target Group is neither capital-intensive nor asset-intensive industry, the P/E Multiple is a widely adopted valuation multiple and more appropriate in this valuation.

As for revenue multiples, they are more appropriate to assess the value of the unprofitable, sales driven, and high volatile profitability companies, such as high-tech company with high sales growth, start-up companies and bio-tech companies. Besides, for companies in the growth stage that have achieved a certain revenue scale but not yet turned profitable, the price to sales multiple ("P/S Multiple") is one of the only feasible market approach multiples. However, such multiples ignore differences in profitability and tend to overvalue low-quality revenue.

In this case, considering the following reasons:

- The Target Group has achieved relatively stable operating profitability (as mentioned previously, it incurred one-off non-recurring losses in 2023; excluding these, it would have generated pre-tax profit exceeding RMB 8 million).
- The vocational training industry to which the Target Group belongs is not sales-driven. Companies in this sector do not typically make large upfront investments to pursue market share, and the Target Group's revenue growth during the forecast period remains relatively moderate. The growth rate in 2025,2026 and 2027 are 12%, 12% and 10% respectively. The revenue trend of the Target Group is consistent with the characteristics of the industry.
- In this transaction, the parties have adopted profit as the performance commitment target, reflecting that profit, rather than sales, serves as the value determiner for the Target Group.

Based on the analysis above, the Target Company has moderate growth expectation, stable profitability and not sales driven. P/S Multiple is not an appropriate market multiple in this case.

When applying the market approach for valuation, it is often challenging to identify the "TURE" comparable companies for the target, thus, it is a common practice to include a larger number of GPCs (usually, at least three GPCs) to get a better picture of industry market multiple level. We conducted a comparative analysis of the GPCs' revenue scale, profit margins and P/E Multiple to evaluate the applicability of the market approach for the Target Group:

Company Name	**Revenue Scale as of 2024** ***RMB'000***	**Net Margin as of 2024** **%**	**P/E Multiple as at the Valuation Date**
Offcn Education	2,626,625	7.0%	102.7x
Action Education	783,434	34.3%	15.9x
Fenbi	2,789,781	8.6%	20.8x
Target Group	**136,017**	**11.8%**	**N/A**

We note that Offcn Education reported consecutive net losses from 2021 to 2023 and its P/E Multiple of 102.7x is significantly higher than industry level in mainland China Education Services, that therefore Offcn Education is not appropriate for the market approach. And other two comparable companies show the larger revenue scale and different profitability compared with the Target Group, the market multiple of the two comparable companies cannot provide a reliable base to estimate the market value of the Target Group, thus, the market approach is not appropriate in this case.

Thirdly, we considered the discounted cash flow method ("**DCF**") under income approach in forming our opinion because: i) as the Target Group is currently in a growth stage, the DCF method can better reflect its future cash flow potential; ii) the DCF method incorporates clear defined business plans by the management of the Target Company; and iii) the forecasts prepared by the Target Company's management demonstrate reasonable revenue growth and margin projection relative to historical and peers of the Target Group, details refer to section" **MAJOR ASSUMPTIONS AND PARAMETERS**".

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.

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 audited consolidated financial statement for the years ended December 31, 2023 and December 31, 2024 and six months ended June 30, 2025 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 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 Company' 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.

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 is determined from July 1, 2025 and ending on December 31, 2030.

Income Tax Rate

Reference to the primary income tax rate of the Target Group, being 25% is applied.

Financial Forecast

Revenue of the Target Group mainly comprises online and offline short video and e-commerce training courses, e-commerce partnership and support services for businesses. We are provided with the revenue forecasts of the Target Group for the five and a half years forecast period.

The projected costs of goods sold mainly consist of instructor fees, course development fees, video data editing expenses and digital tool product fees. The projected marketing expenses mainly consist of staff costs and online platform service fee. The projected management and administrative expenses mainly consist of staff costs and office expenses.

Details of major financial forecast are listed as follows:

	January 2025 – June 2025	**July 2025 – December 2025**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
YOY Growth Rate	15%	10%	12%	12%	10%	5%	3%	2%
Revenue *(RMB'000)*	72,569	79,771	152,339	170,620	187,682	197,066	202,978	207,038

Note: The Target Group achieved revenue growth rates of approximately 63% and 0.1% in 2023 and 2024 respectively. During this period, its vocational training business (contributing over 80% of its total revenue) maintained growth with tuition fee increases of approximately 33% and 4% in 2023 and 2024, respectively. In 2022, when the Target Company commenced its operations, its business was relatively narrow, with the majority of its revenue generated from comprehensive Douyin operations (accounting for approximately 58%). In 2023, the Target Group expanded its business lines, offering courses covering all areas of live-streaming e-commerce. Courses such as anchor training, executive programs, and beginner coaching generated significantly higher revenue as compared to 2022. As a result, the proportion of revenue from comprehensive Douyin operations decreased to approximately

33% in 2023. The diversification of courses enabled the Target Group to attract more paying customers, with the number of paying customers increasing by approximately 57% from 10,515 in 2022 to 16,505 in 2023. This contributed to a notable growth in the Target Group's revenue in 2023. The modest 2024 growth was primarily attributed to underperformance of previously contracted channel partners. In response, the Target Group slowed down its channel partners expansion in 2025 and implemented dual strategies for its training business by expanding customer acquisition channels and diversify product portfolio. Expanding the customer acquisition channel is primarily achieved through two approaches. On one hand, it involves the refined operation of existing channels by optimizing placement strategies and precisely targeting customer segments. On the other hand, it entails continuously exploring new channels, moving beyond Douyin to gradually expand into platforms such as Video Channels, Xiaohongshu, and TikTok. By increasing exposure to potential customers and accurately targeting high-value clients, revenue will be enhanced. Similarly, diversifying product portfolio is also driven by two key sub-strategies. Horizontally, it involves broadening the range of products to meet the diverse needs of a single customer, unlocking the potential for multiple sales to the same individual. Vertically, it includes launching higher-end or more entry-level products to cater to different customer segments. By improving product coverage across diverse demographics, revenue growth will be further stimulated. In the first half of 2025, the growth rate of the Target Group was approximately 15%, calculated based on the revenue of RMB 72,568,689 in the first half of 2025 and RMB 63,320,150 in the first half of 2024.

Company Name	**Estimated Revenue Growth Rate as of 2025**	**Estimated Revenue G rowth Rate as of 2026**	**Estimated Revenue G rowth Rate as of 2027**
Offcn Education	9.5%	11.3%	10.3%
Action Education	17.1%	13.2%	12.9%
Fenbi	7.1%	7.6%	N/A
Target Group	**12.0%**	**12.0%**	**10.0%**

Compared to GPCs, Offcn Education's projected revenue growth rates sourced from Capital IQ for 2025, 2026 and 2027 are approximately 9.5%, 11.3% and 10.3%, respectively. Action Education's projected revenue growth rates for 2025, 2026 and 2027 are approximately 17.1%, 13.2% and 12.9%, respectively. Fenbi's projected revenue growth rates for 2025 and 2026 are approximately 7.1% and 7.6%, respectively. Thus, the Target Group's projected revenue growth rates for 2025,2026 and 2027 of 12%, 12% and 10% are in line with the industry level.

Unit: RMB'000	**July 2025 – December 2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Total operational expenses	**68,084**	**143,918**	**158,310**	**166,225**	**171,212**	**174,636**
Cost of goods sold	45,031	96,144	105,759	111,047	114,378	116,666
Operating expenses	23,054	47,774	52,551	55,179	56,834	57,971

	July 2025 – December 2025	**2026**	**2027**	**2028**	**2029**	**2030**
EBITDA Margins	14.9%	15.8%	15.9%	15.9%	15.9%	15.9%
EBITDA *(RMB'000)*	11,908	27,043	29,813	31,387	32,303	32,877

Note: EBITDA Margin = EBITDA / Revenue

Company Name	EBITDA Margin as of 2023	EBITDA Margin as of 2024	EBITDA Margin as of 2025	EBITDA Margin as of 2026 and thereafter
Offcn Education	10.0%	18.9%		
Action Education	34.6%	35.5%		
Fenbi	7.8%	8.7%		
Target Group	**6.9%**	**13.4%**	**14.8%**	**15.8% - 15.9%**

Note: The EBITDA margins of the Target Group were approximately 6.9% in 2023, 13.4% in 2024 and 14.6% in first half of 2025, which shows a trend of continuous improvement over the lastperiods. The completion of corporate relocation by the end of 2024 is expected to result in a modest reduction in management and administrative expenses for 2025 and 2026, and to stabilize thereafter resulting a higher EBITDA margin of 14.8% in 2025 and 15.8% in 2026. Compare to GPCs, the EBITDA margins of Fenbi were approximately 7.8% in 2023 and 8.7% in 2024, the EBITDA margins of Action Education were approximately 34.6% in 2023 and 35.5% in 2024 and, the EBITDA margins of Offcn Education were approximately 10.0% in 2023 and 18.9% in 2024. This shows that the projected EBITDA margins of the Target Group are in line with the industry levels.

	July 2025 – December 2025	2026	2027	2028	2029	2030
EBIT Margins	14.7%	15.7%	15.7%	15.7%	15.7%	15.7%
EBIT*(RMB'000)*	11,686	26,702	29,372	30,841	31,766	32,401

Note: EBIT = Revenue - Costs of goods sold - Marketing expenses - Management and administrative expenses

EBIT margin = EBIT / Revenue

The EBIT margins of the Target Group were approximately 6.1% in 2023, 12.8% in 2024 and 14.2% in first half of 2025, which shows a trend of continuous improvement over the last periods. The completion of corporate relocation by the end of 2024 is expected to result in a modest reduction in management and administrative expenses for 2025 and 2026, and to stabilize thereafter resulting a higher EBIT margin of 14.7% in 2025 and 15.7% in 2026.

Unit: RMB'000	July 2025 – December 2025	2026	2027	2028	2029	2030
EBIAT	8,765	20,027	22,029	23,131	23,825	24,301

Note: EBIAT is the earnings before interest after tax.

EBIAT = Revenue - Costs of goods sold - Marketing expenses - Management and administrative expenses - Tax expenses

Net Working Capital("NWC") and NWC Change

The NWC equals to the current operating assets minus the current operating liabilities. The current operating assets of the Target Group include account receivables, prepaid expenses and inventory. The current operating liabilities include account payables, advances from customers, accrued payroll and taxes payable. The NWC change equals to the NWC in next year minus the NWC in current year. The NWC of the Target Group in 2023 and 2024 are RMB (29.86) million and (25.09) million. The NWC and NWC change in the forecast period are estimated as follows:

Unit: RMB'000	**June 30, 2025**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
NWC	(21,451)	(25,329)	(28,328)	(31,161)	(32,719)	(33,701)	(34,375)
NWC Change	N/A	(3,878)	(2,999)	(2,833)	(1,558)	(982)	(674)

Note: The NWC/Revenue ratio of the Target Group was (22.0%), (18.4%), and (14.1%) as of 2023, 2024, and June 30, 2025, respectively. We referenced the average turnover days of the Target Group as of full-year 2024 and June 30, 2025, as the basis for forecasting future periods. The NWC/Revenue ratio of the Target Group is projected to remain at (16.6%) during the forecast period.

Capital Expenditure ("CAPEX")

According to the management's business plan in the forecasted period, the capital expenditure is estimated based on replacement of necessary equipment and Capex amounts of the Target Group in 2023 and 2024 are RMB 372,377 and RMB 470,879, respectively. The CAPEX in the forecasted period is estimated as follows:

Unit: RMB'000	**July 2025 – December 2025**	**2026**	**2027**	**2028**	**2029**	**2030**
CAPEX	250	500	500	500	500	500

Note: The Capex/Revenue ratios for 2023, 2024, and the first half of 2025 were 0.3%, 0.3%, and 0.2%, respectively. During the forecast period, the Capex/Revenue ratio is expected to remain within the range of 0.2%–0.3%.

Depreciation and amortization

Based on the long-term asset register as of the Valuation Date and the forecasted Capex amount, the depreciation and amortization are estimated as follows in the forecasted period:

Unit: RMB'000	**July 2025 – December 2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Depreciation and amortization	221	341	441	546	537	476

Note: The Depreciation and amortisation of the Target Group in 2023 and 2024 are RMB 1.09 million and 0.83 million. The Depreciation and amortisation/Revenue ratios for 2023, 2024, and the first half of 2025 were 0.8%, 0.6%, and 0.4%, respectively. During the forecast period, the Depreciation and amortisation/Revenue ratio is expected to remain within the range of 0.2%–0.3%. The difference in the Depreciation and amortisation/Revenue ratio between the forecast period and the historical period is primarily due to the longer real useful life than the accounting useful life of the fixed assets—such as air conditioners and large training room screens—in its early establishment phase (late 2021 to early 2022), with a total purchase value exceeding RMB 1 million. According to the accounting depreciation policy, these assets were depreciated over a three-year period and were fully depreciated by late 2024 to early 2025. However, these assets remain in usable condition and do not require replacement in longer period. As a result, the Depreciation and amortisation/Revenue ratio during the historical period was relatively higher.

Free Cash Flow to Firm ("FCFF") Forecast
Based on the above the estimated parameters, the net cash flow forecast was calculated as follows:

Unit: RMB'000	**July 2025 – December 2025**	**2026**	**2027**	**2028**	**2029**	**2030**
FCFF	12,614	22,866	24,803	24,735	24,843	24,951

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**"). The WACC is the weighted average of cost of equity and cost of debt. The cost of equity is determined by capital asset pricing model ("**CAPM**"), and the 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 is 1.90%, which 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 is 7.31%, which refers to the "Kroll Cost of Capital Navigator" research regarding equity risk premium published by Kroll, LLC;

(iii) beta
The beta adopted is 1.24, which 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 of 4.47%, which refers to the "Kroll Cost of Capital Navigator" research regarding size premium published by Kroll, LLC and 2.00% of other specific risks of the Target Group.

cost of equity=(i)+(ii) *(iii)+(iv) =1.90%+7.31%*1.24+6.47%= 17.43%

*(v) debt to market capitalization ratio ("**D/E ratio**")*
The D/E ratio adopted is 3.52%, which refers to the data from the comparable companies through Capital IQ data base;

(vi) cost of debt
The cost of debt adopted is 2.63%, which is determined with reference to the LPR, sourced from the People's Bank of China, net of tax effect.

(vii) WACC
The WACC is calculated by multiplying the cost of each capital component by its proportional weight. The formula and calculation are as follows:

WACC= Equity/(Equity+Debt) * cost of equity+ Debt/(Equity+Debt) *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))
= 17.43%/ (1+3.52%) + 2.63%*3.52%/ (1+3.52%) =17.00% (rounded)

CALCULATION OF VALUATION RESULT

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

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

Unit: RMB'000	**July 2025 – December 2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Terminal**
(i) Net Cash Flow	12,614	22,866	24,803	24,735	24,843	24,951	**25,475**
(ii) Discount rate	17%						
(iii) Discount period(Note 1)	**0.25**	**1.0**	**2.0**	**3.0**	**4.0**	**5.0**	**5.0**
(iv) Discount factor(Note 2) :	0.96	0.86	0.74	0.64	0.55	0.48	0.48
(v) Present Value of Net Cash Flow(Note 3)	12,125	19,531	18,107	15,434	13,249	11,373	
(vi) Terminal value							**77,412**
Terminal growth rate(Note 4)	2.00%						
(vii) Enterprise value of the Target Group							**167,230**
(viii)Add: Excess cash and excess assets(Note 5)							58,805
(ix) Less: Debt and excess liabilities(Note 6)							818
(x) Less: Minority interest							-
(xi) Equity Value before DLOM (*rounded*)							**225,220**

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 often integrated into the DCF model to assume that the cash flows occur evenly throughout the year. The mid-year convention treats forecasted free cash flows as if they were generated at the midpoint of the period. So, the first period is discounted by quarter a year (0.25 years) and the second year by one year.

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, April 2025.

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 for excess items includes each item of non-operating assets and liabilities.

Excess cash consists of cash and cash equivalent amounting to approximately RMB38.00 million, with reference to its book value. Excess assets consist of other receivables of approximately RMB20.80 million (mainly comprising online platform deposits, borrowings, employee advance fund, etc.). The value of excess cash and excess assets was taken from the audited consolidated balance sheet of the Target Group as of June 30, 2025.

Note 6: Debt and Excess liabilities consist of other payables of approximately RMB0.82 million with reference to its book value. The value of debt and excess liabilities was taken from the audited consolidated balance sheet of the Target Group as of June 30, 2025.

DISCOUNT FOR LACK OF MARKETABILITY ("DLOM")

The level of a company's value can be described as follows: 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, which represents 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 privately-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 spot price.
Volatility	54.90%	With reference to median volatility of the comparable companies which are the 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 20.0% and we apply 20.0% 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 June 30, 2025
100% Equity Value before DLOM *(RMB'000)*	225,220
Adjusted for DLOM at 20.0%	(1-20.0%)
100% Equity Value of the Target Group *(RMB'000)*	180,000

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)*
18% **(Base+1%)**	172,000
17% **(Base)**	180,000
16% **(Base-1%)**	189,000

Sensitivity Analysis - Revenue

Revenue	**Market Value** *(RMB'000)*
Base *(1+5%)	187,000
Base	180,000
Base *(1-5%)	173,000

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 **RMB180,000,000 (RENMINBI ONE HUNDRED EIGHTY MILLION 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.*