

**China Securities Co., Ltd.**  
**Hangzhou Hirisun Technology Incorporated**  
**Stock-for-stock Merger of Hangzhou Turbine Power Group Co., Ltd.**  
**& Related Party Transaction Report**  
**Valuation Report**



**中信建投证券股份有限公司**  
**CHINA SECURITIES CO., LTD.**

**April 2025**

## Statement

I. The subjects of analysis in this report are Hangzhou Hirisun Technology Incorporated (hereinafter referred to as "Hirisun") and Hangzhou Turbine Power Group Co., Ltd. (hereinafter referred to as "HTC"). The relevant data is sourced from publicly available information.

II. This report is issued by China Securities Co., Ltd. (hereinafter referred to as "China Securities") in accordance with the requirements of the *Administrative Measures for Major Asset Restructuring of Listed Companies* (hereinafter referred to as the "Administrative Measures on Restructuring"), the *Content and Format Standards for Information Disclosure of Companies Offering Securities to the Public No. 26 - Major Asset Restructuring of Listed Companies*, and other relevant laws, regulations, and normative documents on major asset restructuring of listed companies, for reference by the Board of Directors of HTC. This report does not constitute any advice, recommendation, or compensation to any third party.

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IX. Unless otherwise defined in this report, the abbreviated terms used herein shall have the meanings ascribed to them in the *Report on the Share Swap Merger of Hangzhou Turbine Power Group Co., Ltd. by Hangzhou Hirisun Technology Incorporated and Its Related-Party Transaction*.

X. If any discrepancies arise between the total sum and the direct addition of individual figures in mantissa in this report, such differences are the result of rounding adjustments; Unless otherwise specified, the financial data and financial indicators cited in this report refer to the financial data in the consolidated statements and the financial indicators calculated based on such financial data.

## Chapter 1 Background Information

### I. Overview of the transaction parties

Hirisun, an A-share listed company, is a national high-tech enterprise engaged in power information system integration. It primarily serves power enterprises by providing comprehensive turnkey solutions for power enterprise informatization construction, along with related technical and consulting services. Its power informatization solutions are widely applicable across various segments of the industrial chain in power sector, including power generation, transmission, transformation, distribution, consumption, and dispatching. As of the date of this report, Hirisun has a total share capital of 335 million shares. Its controlling shareholder, Hangzhou Capital, holds 99.83 million shares, accounting for 29.80% of Hirisun's total share capital; The actual controller, the State-owned Assets Supervision and Administration Commission of Hangzhou, indirectly controls 99.83 million shares, accounting for 29.80% of Hirisun's total share capital.

HTC, a B-share listed company, is a leading domestic provider of industrial turbine equipment and services. It primarily designs and manufactures rotating industrial turbomachinery, including industrial steam turbines and gas turbines. Industrial steam turbines consist of industrial drive steam turbines and industrial power-generation steam turbines. Industrial drive steam turbines are mainly used to drive rotating machinery such as compressors, blowers, pumps, and crushers, serving as critical power equipment in various large-scale industrial installations. They are widely applied in industries such as petroleum refining, chemicals, fertilizers, building materials, metallurgy, power generation, light industry, and environmental protection; Industrial power-generation steam turbines are primarily used to drive generators while simultaneously providing thermal energy, mainly deployed in self-contained power stations for industrial enterprises, regional cogeneration projects, industrial waste heat recovery power generation, municipal waste-to-energy plants, and gas-steam combined cycle power plants. For its gas turbine business, HTC has entered the distributed natural gas energy sector through collaboration with internationally renowned companies on the advanced SGT-800 natural gas turbine model, which features high efficiency, good reliability, and low emissions. As of the date of this report, HTC has a total share capital of 1,174.9469 million shares. Its controlling shareholder, Turbine Holdings, holds 689.7159 million shares, accounting for 58.70% of HTC's total share capital; The actual controller, the State-owned Assets Supervision and Administration Commission of Hangzhou, indirectly controls 689.7159 million shares, accounting for 58.70% of HTC's total share capital.

For detailed information on the business, financials, and other aspects of the merging party and the merged party, please refer to the *Report on the Share Swap Merger of Hangzhou Turbine Power Group Co., Ltd. by Hangzhou Hirisun Technology Incorporated and Its Related-Party Transaction* related to this transaction.

## II. Transaction plan

### (I) Plan summary

This transaction is the restructuring and integration of Hirisun and HTC through share swap merger, which is an important measure to thoroughly implement President Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the Third Plenary Session of the 20th CPC Central Committee, and to implement the guiding ideology of the CPC Central Committee and the State Council to deepen the reform of state-owned enterprises, facilitating to improve the industrial layout of state-owned listed companies, improve asset quality and operational efficiency, and realize the preservation and appreciation of state-owned assets. This transaction is a proactive response to the State Council and the China Securities Regulatory Commission's (CSRC) encouragement of mergers and restructuring as well as absorption mergers among listed companies. It will help the surviving company strengthen its intrinsic quality and external image, enhance the asset quality and operational efficiency of the listed company, thereby improving its sustainable profitability and increasing its investment value. This transaction will facilitate the resolution of long-standing historical issues at HTC, improve HTC's financing capacity, and leverage the capital market to transform HTC into a more profitable and higher-quality listed company. Following this transaction, the surviving company will continue to strengthen the independent R&D and application of gas turbines with the support of the capital market, driving the independent innovation and development of China's gas turbine industry and contributing to the implementation of the national "Two Engine Project" strategy.

The specific method of this transaction is as follows: Hirisun will conduct share swap merger on HTC by issuing A-shares to all HTC shareholders in exchange for their HTC shares. Hirisun will act as the merging party, while HTC will be the merged party. Specifically, Hirisun will issue A-shares to all HTC shareholders for share swap in exchange for their HTC shares.

Upon completion of this merger, HTC will delist and terminate its legal entity status, and Hirisun will succeed to and assume all assets, liabilities, businesses, personnel, contracts, and all other rights and obligations of HTC. The A-shares issued by Hirisun in connection with this share swap merger will apply for listing and trading on the ChiNext Market of the Shenzhen Stock Exchange.

### (II) Share swap price and ratio

The pricing benchmark date for this share swap merger is the announcement date of the first board resolution of both parties regarding this merger. Taking into account historical stock prices, operating performance, market capitalization, and other factors, and in accordance with the relevant provisions of the *Administrative Measures on Restructuring*, the share swap price for Hirisun in this share swap merger is determined as RMB 9.56 per share, based on the average trading price of its shares over the 20 trading days preceding the pricing benchmark date. The average trading price of HTC's shares over the 20 trading days preceding the pricing benchmark date was HKD 7.77 per share. Using the RMB/HKD central parity rate published by the People's Bank of China on the last trading day before HTC's trading suspension (i.e.

on October 25, 2024, 1 HKD = RMB 0.91496), this converts to RMB 7.11 per share.

The final share swap price for HTC is determined by applying a 34.46% premium to this price. Thus, the share swap price for HTC = HTC's average trading price  $\times$  (1 + premium rate) = RMB 9.56 per share. The number of Hirisun shares that can be obtained per HTC share = HTC's share swap price / Hirisun's share swap price. Based on the above formula, the share swap ratio between HTC and Hirisun is 1:1, meaning that each 1 share of HTC can be exchanged for 1 share of Hirisun.

From the pricing benchmark date to the share swap merger implementation date (both dates inclusive), the swap ratio shall not be adjusted under any circumstances, except in cases where either party distributes cash dividends, stock dividends, capital reserve converted into share capital, rights issues, or other events requiring ex-rights/ex-dividend, or adjustments as mandated by relevant laws, regulations, or regulatory requirements.

If either party distributes cash dividends, stock dividends, capital reserve converted into share capital, rights issues, or other events requiring ex-rights/ex-dividend, or if HTC conducts share repurchases and cancellations between the pricing benchmark date and the share swap date (both dates inclusive), the number of shares to be issued by swap shall be adjusted accordingly.

The number of Hirisun A-shares received by HTC shareholders through share swap shall be an integer. If the products of HTC shareholders' shares multiplied by the swap ratio result in fractions, such fractions shall be allocated in sequence according to the size of the decimal portion, with each shareholder receiving one additional share until the total number of shares for swap matches the planned issuance quantity. In cases where multiple shareholders have identical fractional portions exceeding the remaining shares available for allocation, a computerized random allocation system shall be used until the actual number of shares for share swap matches the planned issuance quantity.

### (III) The interest protection mechanism of Hirisun dissenting shareholders

In order to protect the interests of Hirisun shareholders and reduce the impact of Hirisun's stock price fluctuations on investors after the merger, in accordance with the relevant provisions of "The Company Law" and the "Articles of Association of Hangzhou Hirisun Technology Co., Ltd.", Hirisun's dissenting shareholders will be given the appraisal rights in this merger.

The dissenting shareholders of Hirisun who have the right to exercise appraisal rights refer to the shareholders of HTC who have voted valid against at the shareholders' meeting to all the relevant proposals on the merger plan and the sub-proposals voted on one by one and on the relevant proposals on the merger agreement signed by the two parties to the merger, and have continued to hold the shares representing the objection rights until the implementation date of the appraisal rights request of the dissenting shareholders of Hirisun, and meanwhile have performed the relevant reporting procedures within the specified time.

The price of the appraisal rights request of the dissenting shareholders of Hirisun is the average trading price of the A-shares in the 20 trading days before the suspension of the Hirisun A-shares (i.e., the 20 trading days before the pricing benchmark date), that is, 9.56 yuan per share. If the distribution of cash dividends, stock dividends, capital reserve to share capital, allotment and other ex-rights and dividends occurs from the pricing benchmark date to the implementation date of the appraisal rights request (both dates inclusive), the appraisal rights price shall be adjusted accordingly.

Hangzhou State-owned Capital Investment and Operation Co., Ltd. (hereinafter referred to as "Hangzhou Capital"), as the provider of the appraisal rights, provides the appraisal rights to the dissenting shareholders of Hirisun. Dissenting shareholders of Hirisun shall no longer assert the right to claim the appraisal rights from Hirisun or any shareholder of Hirisun who agrees to the merger. After the Transaction is registered by the China Securities Regulatory Commission, the provider of the appraisal rights promised to unconditionally accept the shares held by the dissenting shareholders of Hirisun who had successfully declared the exercise of the appraisal rights on the implementation date of the appraisal rights claim, and pay the corresponding cash consideration to the dissenting shareholders of Hirisun according to the price of the appraisal rights claim.

#### (IV) Mechanism for protecting the interests of dissenting shareholders of HTC

In order to protect the interests of the shareholders of HTC and reduce the impact of the fluctuation of the stock price of HTC on investors after the merger, in accordance with the relevant provisions of The Company Law and the Articles of Association of Hangzhou Turbine Power Group Co., Ltd., the dissenting shareholders of HTC will be given the cash option right in this merger.

The dissenting shareholders of HTC who have the right to exercise the cash option refer to the shareholders who participated in the general shareholders' meeting held by HTC and voted valid against to all the merger plan and the sub-proposals voted on one by one and to the relevant proposals on the merger agreement signed by the two parties in the merger, and have continued to hold the shares representing the objection right until the implementation date of the cash option of the dissenting shareholders of HTC, and at the same time perform the relevant declaration procedures within the specified time.

The cash option price of the dissenting shareholders of HTC is the average trading price of B-shares for the 20 trading days before the suspension of trading of HTC's B-shares (i.e. 20 trading days before the pricing benchmark date), that's HK\$7.77 per share, which is equivalent to RMB 7.11 per share by converted according to the median price of RMB to Hong Kong dollar announced by the People's Bank of China on October 25, 2024 (HK\$1 = RMB 0.91496) that is the trading day before HTC share suspension. If there are ex-rights and dividends such as cash dividends, stock dividends, conversion of capital reserve to share capital, and allotment from the pricing benchmark date to the implementation date of the cash option (both dates inclusive), the cash option price will be adjusted accordingly.

Hangzhou Capital, as the provider of the cash option, provides the cash option to the dissenting shareholders of HTC. The dissenting shareholders of HTC shall no longer claim the cash option from HTC or any shareholder of HTC who agrees to the merger. After the Transaction is registered with the China Securities Regulatory Commission, the provider of the cash option shall undertake unconditionally to accept the shares held by the dissenting shareholders of HTC who successfully declared the exercise of the cash option on the implementation date of the cash option, and pay the corresponding cash consideration to the dissenting shareholders of HTC according to the cash option price.

### III. Background and objective of transaction

#### (I) Background of transaction

##### **1. Comprehensively promote the deepening of the reform of state-owned enterprises and encourage the improvement of the quality of listed companies**

The report of the 20th National Congress of the Communist Party of China clearly stated that to accelerate the construction of a new development pattern and focus on promoting high-quality development, it is necessary to deepen the reform of state-owned assets and state-owned enterprises, accelerate the optimization of the layout and structural adjustment of the state-owned economy, promote state-owned capital and state-owned enterprises to become stronger, better and bigger, and enhance the core competitiveness of enterprises. The "Opinions of the State Council on Further Improving the Quality of Listed Companies" clearly stated that improving the quality of listed companies is an inherent requirement for promoting the healthy development of the capital market, and is an important part of accelerating the improvement of the socialist market economy system in the new era, and it's required to continuously improve the governance level of listed companies and promote listed companies to become better and stronger.

As a subsidiary of Hangzhou SASAC, the Transaction is an important measure to thoroughly implement the Xij Jinping's socialist thought with Chinese characteristics in the new era and the spirit of the Third

Plenary Session of the 20th Central Committee of the Communist Party of China, and to implement the guiding ideology of the Party Central Committee and the State Council to deepen the reform of state-owned enterprises, which will help improve the industrial layout of state-owned listed companies, improve asset quality and operational efficiency, and realize the preservation and appreciation of state-owned assets.

## **2.National policies encourage mergers and acquisitions and mergers and acquisitions between listed companies**

In March 2024, the China Securities Regulatory Commission (CSRC) issued the "Opinions on Strengthening the Supervision of Listed Companies (Trial)", which clearly proposes to support listed companies to enhance their investment value through mergers and acquisitions, and encourages listed companies to comprehensively use shares, cash, directional convertible bonds and other tools to implement mergers and acquisitions, inject high-quality assets, and support the absorption and merger of listed companies. In April 2024, the State Council issued the "Several Opinions on Further Promoting the Healthy Development of the Capital Market", proposing to give full play to the role of the capital market as the main channel in the process of mergers and acquisitions, strengthen the property rights pricing and transaction functions of the capital market, broaden the financing channels for mergers and acquisitions, and enrich the payment methods for mergers and acquisitions. In September 2024, the China Securities Regulatory Commission (CSRC) issued the Opinions on Deepening the Reform of the M&A and Restructuring Market for Listed Companies to further optimize the restructuring review process, improve the efficiency of restructuring review, and activate the M&A and restructuring market. It supports the absorption and merger of the same industry, upstream and downstream between listed companies not under the common control, and the absorption and merger between listed companies under the common control. With the support of a number of policies, China's capital market mergers and acquisitions have entered an "active period".

The Transaction is a positive response to the encouragement of mergers and acquisitions and the absorption and merger of listed companies by the State Council and the China Securities Regulatory Commission, which will help promote the strong quality and external image of the surviving company, improve the asset quality and operational efficiency of the listed companies, thereby enhancing the sustainable profitability of the listed company and enhancing the investment value of the listed company.

### **(II) Objective of transaction**

#### **1. Addressing the legacy of B-shares and augmenting HTC's financing capacity**

HTC went public on SZSE B-share market in 1998, with IPO of HKD 171,200,000. Subsequently, confined by listing and financing on B-share market, HTC was perpetually unable to raise funds through capital market upon its IPO. Moreover, HTC's B-shares has poor liquidity and stock valuation under prices that of any counterpart listed company on A-share market, which conspires against the company's development and realization of interest of small-and medium-sized shareholders.

Since its IPO, HTC has clawed its way to make solid progress, and now become a leading industrial turbine provider in China's high-end equipment industry. In the face of intensifying marketplace and new trends of industrial development, the transaction is conducive to addressing the legacy of HTC. With more financing channels and greater financing capacity, the company will become a more profitable and premium listed company by leverage of the capital market.

#### **2. Boosting homemade gas turbine production, as high-quality guarantee for implementation of the national strategy of "engine and turbine project"**

Therefore, as the pillar equipment of the clean and low-carbon energy system under the strategy of "carbon peak and carbon neutrality", it is urgent to comprehensively improve the development and demonstration application of domestic independent gas turbines, so that the independent and controllable core technologies continue to mature in application practice and realize domestic substitution. In 2016, China fully launched the implementation of the "two-engine special project", hoping to break through the core technology of gas turbines, break the monopoly of foreign products, and accelerate the independent innovation and development of China's gas turbine industry.

Upon the transaction, the surviving company will, by leverage of the capital market, continue to strengthen the development and application of homemade gas turbines, boost development of independent innovation



of China's gas turbine industry, as an act of contributing to the implementation of the national strategy of "engine and turbine project".

### **3. Clearing the bottleneck for growth of Hirisun, and increasing core competence and investment value of the listed company**

In increasingly cut-throat marketplace, Hirisun is facing a bottleneck for performance growth, thus urgently seeking transformation and upgrading. Upon the completion of the transaction, the surviving company will scale up production, diversify product portfolios, and improve technical strength and management operation. Using market-oriented instruments, it will spur the M&A Parties into deepening reforms, while refining its own governance structure. The integrated development and mutual promotion of industrial operation and capital operation will spark high-quality development of the surviving company. The development of the electric power information business in tandem with industrial turbine business will further strengthen core competence and sustainable profitability of the surviving company and increase its investment value.

## **IV. Purpose of the Report**

The purpose of this report is to provide reference for the Board of Directors of HTC by analyzing whether the pricing of this transaction is fair and reasonable. This report does not constitute any advice, recommendation, or compensation to any third party.

## **V. Benchmark date of the Report**

The benchmark date of this report is consistent with the pricing benchmark date of this share swap merger, which is the announcement date of the first board resolution of Hirisun and HTC regarding matters related to this transaction. The market price data cited in this report is as of October 25, 2024 (one trading day prior to the announcement date of the first board resolution of Hirisun and HTC regarding matters related to this transaction).

## **Chapter II Assumptions of the Report**

### **I. General assumptions**

#### **(i) Open market assumption**

The open market assumption presumes that assets traded in the market, or to be traded in the market, are transacted between parties with equal status, sufficient opportunity and time to obtain adequate market information to make rational judgments regarding the asset's functions, purposes and transaction price. The open market assumption is based on the premise that assets can be publicly bought and sold in the market.

#### **(II) Going concern assumption**

The going concern assumption is premised on the enterprise's continuous and normal production and operation activities, and that in the foreseeable future, the enterprise will continue to operate at its current scale and status without ceasing operations or significantly reducing its business.

### **II. Special assumptions**

(I) It is assumed that the external economic environment as of the valuation report's benchmark date remains unchanged, and that there will be no significant changes to the country's current macroeconomic policies.

(II) There will be no significant changes to the socio-economic environment in which the enterprise operates, or to the tax policies, tax rates and other policies currently in effect.

(III) The management of relevant companies will remain diligent during future operations and continue to maintain the current business management model.

(IV) There will be no major adverse impacts on the enterprise caused by force majeure or unforeseeable factors.

(V) It is assumed that all relevant basic materials, financial data and publicly available information are true, accurate and complete.

If any of the above conditions change, the analysis in this valuation would generally become invalid.

### **Chapter III Valuation Approach and Methodology Selection**

In practice, the rationality of transaction pricing in M&A deals can generally be analyzed through approaches such as the Comparable Companies Approach, Discounted Cash Flow Approach, and Comparable Transactions Approach.

The Comparable Companies Approach involves selecting valuation multiples of comparable listed companies as references based on the characteristics of the relevant companies. Its core principle is to analyze the pricing of the this transaction using relevant indicators and valuation multiples from the secondary market.

The basic steps of the Discounted Cash Flow Approach are as follows: First, establish and utilize a financial model to forecast future financial data such as net profit and cash flows; Second, select an appropriate discount rate (i.e., the Weighted Average Cost of Capital, WACC) based on the characteristics of the relevant companies to discount the free cash flows. By estimating the present value of expected future returns, the enterprise value is derived.

The Comparable Transactions Approach involves selecting companies in the same industry, with similar transaction structures as the relevant companies, and that have been invested in or acquired during a suitable period prior to valuation. The pricing basis of these financing or M&A transactions is used as a reference to obtain useful financial or non-financial data, thereby evaluating the relevant companies and deriving the enterprise value.

The advantages, disadvantages, and applicability of the above three approaches are as follows:

The advantage of the Comparable Companies Approach lies in its foundation on the efficient market assumptions, which assumes that transaction prices reflect all available information, including trends, business risks, and growth rates. The relevant parameters are relatively easy to obtain. Its disadvantage is that it is difficult to accurately adjust for differences in the business and financial aspects of comparable companies, and it is challenging to incorporate factors such as industry-specific M&A and regulatory considerations.

The advantage of the Discounted Cash Flow Approach is that it examines the business from a holistic perspective and is theoretically the most comprehensive approach; It is less affected by short-term market fluctuations and non-economic factors; It can integrate the business strategies and synergies after share swap merger into the model; And it can handle most complex scenarios. Its disadvantages include the numerous variables and assumptions in the financial model, the sensitivity and volatility of valuations based on future assumptions, with large volatility, which may impact the accuracy of predictions, and the difficulty in obtaining fully substantiated parameters for evidence.

The advantage of the Comparable Transactions Approach is that it is based on actual transaction prices, making the valuation level relatively certain and easy to obtain. Its disadvantage is that no two transactions in the market are identical in terms of the target companies' risks and growth potential due to the following factors: 1) Differences in the target companies' business scale, characteristics, and

composition; 2) Differences in equity proportions in transactions; 3) Differences in development stages of the target companies; 4) Differences in accounting standards applied; and 5) Differences in expectations for the target company's growth. Therefore, it is significantly uncertain to adjust historical transaction prices based on the latest operational conditions of the relevant companies so as to derive their current value.

In this transaction, both parties involved in the merger are listed companies. Prior to the completion of the share swap merger, due to listing regulations and commercial confidentiality restrictions, no further detailed financial information as well as future profit and cash flow forecasts can be provided. Moreover, disclosing future profit and cash flow forecasts may cause abnormal stock price fluctuations and increase the uncertainty of the successful completion of this share swap merger. Therefore, no profit or cash flow forecasts were conducted for this share swap merger. Due to the lack of relevant reliable financial forecast data, the Discounted Cash Flow Approach cannot be used for valuation analysis in this transaction.

Additionally, this share swap merger constitutes a public market merger, with both parties being listed companies that already have relatively mature valuation systems in the capital market. Furthermore, there are comparable cases of this transaction structure in the market. Hence, the Comparable Companies Approach and Comparable Transactions Approach were primarily employed to analyze the fairness and rationality of this transaction pricing.

## Chapter IV Analysis of the Rationality of the Share Swap Prices for Both Parties in the Merger

### I. Selection of market reference price

In this share swap merger, the share swap prices for both Hirisun and HTC are based on the average trading prices of their stocks over the 20 trading days prior to the pricing benchmark date.

(I) Using the average trading price over the 20 trading days prior to the pricing benchmark date of share swap merger as the pricing basis complies with the provisions of the *Administrative Measures on Restructuring*

According to the *Administrative Measures on Restructuring*, "The price of shares issued by a listed company shall not be lower than 80% of the market reference price. The market reference price shall be one of the average trading prices of the company's shares over the 20, 60, or 120 trading days prior to the announcement date of the board resolution on the share issuance for asset purchase". For share swap merger involving listed companies, the pricing and issuance of shares shall be executed in accordance with the aforementioned provisions.

The pricing benchmark date for this share swap merger is the announcement date of the first board resolution of both parties regarding this merger. In accordance with the relevant provisions of the *Administrative Measures on Restructuring* and through mutual negotiation between the merging parties, the share swap prices for Hirisun and HTC in this share swap merger were ultimately determined as the average trading prices of their stocks over the 20 trading days prior to the pricing benchmark date, and thereby the share exchange ratio is determined.

The aforementioned pricing approaches comply with the relevant requirements of the *Administrative Measures on Restructuring*.

(II) Using the average trading price over the 20 trading days prior to the pricing benchmark date of share swap merger as the pricing basis complies with the requirements of the *Administrative Measures on Restructuring* and best reflects the latest market conditions

The stocks of Hirisun and HTC were suspended from trading starting October 28, 2024, due to the planning of a major asset restructuring. The average trading prices over the 20, 60, and 120 trading days prior to the pricing benchmark date are as follows:

Period	Hirisun (RMB/share)	HTC (RMB/share)
Closing price of the last trading day	12.02	7.48
Trading price over the 20 trading days	9.56	7.11
Trading price over the 60 trading days	8.79	6.87
Trading price over the 120 trading days	8.31	6.61

Note 1: The HKD to RMB exchange rate is set at 1:0.91496 (the central parity rate of RMB against HKD published by the People's Bank of China on the valuation benchmark date).

Note 2: The average trading price over a specified number of trading days prior to the pricing benchmark date = Total trading amount over the specified period / Total trading volume over the specified period.

As shown in the table above, among the available market reference prices, the average trading prices of both parties over the 20 trading days prior to the pricing benchmark date of share swap merger show the smallest variance ratio compared to their respective closing prices on the last trading day before suspension. This best reflects the latest stock price conditions prior to the pricing benchmark date and can effectively represent the interests of shareholders of both parties while protecting their rights.

In the four historical share swap merger case of A-share for B-share, the pricing bases for both the merging party and the merged party were as follows:

Type	Transaction items	Pricing basis selection for both parties
Merger of B-share by A-share	Midea Group's share swap merger of Little Swan's B-share	Average trading price over the 20 trading days prior to the pricing benchmark date
	Nanshan Holdings' merger of Shenzhen Base's B-share	Average trading price over the 20 trading days prior to the pricing benchmark date
	Chengtou Holding's merger of Yangchen's B-share	Average trading price over the 20 trading days prior to the pricing benchmark date
	Guanhao High-Tech's merger of Foshan Huaxin Packaging's Packaging B	Average trading price over the 20 trading days prior to the pricing benchmark date

As shown in the table above, all four historical share swap merger cases of A-share for B-share selected the average trading price over the 20 trading days prior to the pricing benchmark date as the basis for calculating the share swap price. The pricing basis of this transaction is consistent with comparable cases and complies with market practices.

In conclusion, using the average trading price over the 20 trading days prior to the pricing benchmark date of share swap merger as the pricing basis for this transaction reflects the latest stock price conditions of Hirisun and HTC before the benchmark date, and aligns with the operational practices of comparable market cases and is therefore reasonable.

## II. Comparable companies valuation approach

### (I) Selection of comparable companies

#### 1. Selection of Hirisun's comparable companies

The comparable companies for Hirisun in this transaction were selected based on components of the Wind Information Technology Services Index (866311.WI). Hirisun primarily engages in power information system integration business. The following companies with similar main product types with Hirisun were selected as comparable companies for this transaction: Zhiyang Innovation, Ligong Energy Technology, Longshine Group, Ygsoft, Zeyu Intelligent, Dareway, SGIT, HopeRun Software, Henghua Technology, Jinxiandai, HSC Technology and PHILISENSE. Basic information of the comparable companies is as follows:

In RMB '00 million

S/N	Stock code	Stock abbreviation	Total market cap	Main business
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1	688191.SH	Zhiyang Innovation	27.99	Providing professional "AI + digital twin + drone" multi-source perception and cloud-edge collaborative three-dimensional inspection products and solutions for clients in power, water conservancy, rail transit, and new energy sectors, including power transmission line intelligent O&M analysis management systems, substation intelligent O&M solutions, etc.
2	002322.SZ	Ligong Energy Technology	54.71	Software and IT business covers two major professional sectors: power and environmental protection. The power sector includes power generation (thermal, nuclear, wind, solar, and other new energy sources), energy storage, and power grids, while the environmental protection sector covers environment, industrial parks/campus, and water services, with services including construction and management software products, customized software development and technical services, digital IoT, power design institute services, and environmental protection informatization. Additionally, there are three core business segments: power monitoring systems, environmental monitoring systems, and instrument O&M services
3	300682.SZ	Longshine Group	131.03	Energy digitalization, providing comprehensive software solutions for power energy clients; Energy internet, offering diverse energy service scenarios for power consumers, etc.
4	002063.SZ	Ygsoft	110.50	An IT technology, product and service provider for enterprise management, energy interconnection, and social services, and a long-term supplier of IT management products and services for energy enterprises. Its main products and services include digital enterprises, smart energy, information innovation platforms, and social interconnection
5	301179.SZ	Zeyu Intelligent	60.92	A one-stop intelligent grid integrated service provider specializing in power IT system solutions, including power consulting and design, system integration, engineering construction and O&M. The company's services and solutions are widely applied across power generation, transmission, transformation, distribution, consumption, and dispatching in power systems
6	688579.SH	Dareway	41.52	Serving government departments (e.g., human resources and social security bureaus, medical insurance bureaus, data bureaus), medical institutions, State Grid, and corporate clients with industry-specific application software development, technical services, data governance, and system integration products and services
7	600131.SH	SGIT	224.01	Covering all aspects of power generation-transmission-transformation-distribution-consumption-dispatch and full scenarios of source-grid-load-storage
8	300339.SZ	HopeRun Software	498.47	Providing domestic and international customers with next-generation information technology-driven products, solutions and services, focusing on three major business sectors: "FinTech", "Smart IoT" and "Smart Energy"
9	300365.SZ	Henghua Technology	37.85	Centered on BIM platform and tool software development, serving infrastructure sectors including power, transportation and water conservancy
10	300830.SZ	Jinxiandai	33.55	Main business consists of two parts: first, providing customized industry digital solutions for large conglomerates in power, rail transit, petrochemical etc.; second, offering standardized general software represented by low-code development platforms
11	300513.SZ	HSC Technology	30.02	A leading domestic digital energy, communication technology service and smart IoT application solution provider and operator, committed to supporting digital transformation of basic industries including power, communications, urban management and agriculture with advanced IoT big data technologies to achieve digital transformation and upgrading
12	300287.SZ	PHILISENSE	77.50	A leading provider of comprehensive government information solutions in China, with three core business segments: audio & video and control, data software and services, and the Internet of Things and intelligence.

Note 1: Total market cap = Closing price on October 25, 2024 × Total share capital of comparable listed companies as of October 25, 2024.

The main financial data of the aforementioned A-share listed companies for 2023 and January-September 2024 are as follows:

In RMB '00 million

S/N	Stock abbreviation	Total operating revenue	Net profit attributable to parent company	Total assets	Net assets attributable to parent company
1	Zhiyang Innovation	7.98	0.42	15.04	8.88
2	Ligong Energy Technology	10.98	2.46	31.87	29.05
3	Longshine Group	47.27	6.04	101.12	74.89
4	Ygsoft	23.89	3.44	44.51	34.95
5	Zeyu Intelligent	10.62	2.56	30.66	23.03
6	Dareway	5.38	0.81	16.26	13.43
7	SGIT	76.73	8.28	124.69	63.81
8	HopeRun Software	31.06	1.64	56.29	34.35
9	Henghua Technology	8.29	0.18	24.04	19.98
10	Jinxiandai	5.08	0.13	14.75	11.62
11	HSC Technology	13.47	0.41	43.83	23.47
12	PHILISENSE	8.23	-2.82	25.29	12.59

Note 1: In the above table, total operating revenue and net profit attributable to parent company are annual data for 2023, while total assets and net assets attributable to parent company are data as of September 30, 2024.

## 2. Selection of HTC's comparable companies

The comparable companies for HTC in this transaction were selected based on components of the Wind Electric Equipment III Index (882210.WI, formerly Wind Electric Equipment Industry Index). HTC's main business involves the design, manufacturing and sales of steam turbines, gas turbines, other rotating mechanical equipment and their auxiliary equipment, as well as spare parts. For this transaction, equipment manufacturing companies Shanghai Electric and Dongfang Electric with similar main product types as HTC were selected as comparable companies. Basic information of the comparable companies is as follows:

In RMB '00 million

S/N	Stock code	Stock abbreviation	Total market cap	Main business
1	601727.SH	Shanghai Electric	995.55	A large comprehensive high-end equipment manufacturing group, with core businesses focusing on three sectors: energy equipment, industrial equipment and integrated services, and main products including steam turbines, turbo generators, boilers, elevators, etc.
2	600875.SH	Dongfang Electric	485.39	Providing various energy, environmental protection and chemical products along with complete system solutions, trading and logistics services to global energy operators and other customers. Main products including turbo generators, power station steam turbines, hydro-generator sets, wind turbine generators, etc.



Note 1: Total market cap = Closing price of A share on October 25, 2024 × Total share capital of comparable listed companies as of October 25, 2024.

The main financial data of the aforementioned A-share listed companies for 2023 and January-September 2024 are as follows:

In RMB '00 million

S/N	Stock abbreviation	Total operating revenue	Net profit attributable to parent company	Total assets	Net assets attributable to parent company
1	Shanghai Electric	1,147.97	2.85	2,901.40	535.52
2	Dongfang Electric	606.77	35.50	1,387.24	384.73

Note 1: In the above table, total operating revenue and net profit attributable to parent company are annual data for 2023, while total assets and net assets attributable to parent company are data as of September 30, 2024.

## (II) Valuation ratio of comparable companies

Commonly used valuation metrics mainly include price-to-earnings ratio (P/E), price-to-book ratio (P/B), and price-to-sales ratio (P/S). The applicability of these valuation metrics to both the merging party and the merged party is analyzed in the table below:

Valuation metric	Applicability to Hirisun and HTC
Price-to-earnings ratio (P/E)	Typically applicable to companies with smaller cyclical fluctuations or sustained profitability. Due to intensified industry competition and underperformance in new business expansion, Hirisun's net profit attributable to parent company in 2023 was RMB 11 million, resulting in abnormal P/E. Therefore, P/E is not suitable as a valuation metric. For HTC, there are only two comparable A-share listed companies in the same industry, and Shanghai Electric's low net profit attributable to parent company in 2023 led to abnormal P/E, with significant discrepancies between the two comparable companies, making them non-representative
Price-to-book ratio (P/B)	Typically applicable to companies with large fixed asset bases or high proportions of financial assets and also suitable for companies with significant cyclical fluctuations or low profitability. This metric is applicable for this valuation
Price-to-sales ratio (P/S)	Typically applicable to companies whose business scale and market share are more important than profitability, and industries where investors pay more attention to income and some emerging industries. Due to the limitation in ignoring cost structures of companies, this metric was not considered for this valuation

## (III) Comparable companies valuation approach for share swap prices of both parties

### 1. Valuation of Hirisun's comparable companies

As of the trading day prior to the pricing benchmark date (October 25, 2024), the valuation metrics of the aforementioned comparable A-share listed companies are as follows:

S/N	Stock code	Stock abbreviation	Price-to-book ratio (times)
1	688191.SH	Zhiyang Innovation	3.15
2	002322.SZ	Ligong Energy Technology	1.88
3	300682.SZ	Longshine Group	1.75
4	002063.SZ	Ygsoft	3.16

5	301179.SZ	Zeyu Intelligent	2.65
6	688579.SH	Dareway	3.09
7	600131.SH	SGIT	3.51
8	300339.SZ	HopeRun Software	14.51
9	300365.SZ	Henghua Technology	1.89
10	300830.SZ	Jinxiandai	2.89
11	300513.SZ	HSC Technology	1.28
12	300287.SZ	PHILISENSE	6.16
Maximum			14.51
Third quartile			3.42
Average			3.83
Median			2.99
First quartile			1.89
Minimum			1.28
Hirisun (calculated based on this share swap price)			6.57

Note 1: Price-to-book ratio = Closing price on October 25, 2024 / Net assets per share as of September 30, 2024.

Note 2: Net assets per share = Net assets attributable to parent company owner / Total share capital.

Note 3: For Hirisun, the share swap price in this transaction was used instead of the closing price on October 25, 2024 when calculating the above valuation metrics.

Data source: Listed companies' annual reports, Quarter 3 reports, Wind Info.

As of the pricing benchmark date of this transaction, Hirisun's share swap price was RMB 9.56 per share. Based on this, Hirisun's price-to-book ratio is calculated as 6.57x. The price-to-book ratio of Hirisun, calculated using the share swap price, falls between the third quartile and the maximum of the comparable companies' valuation ratios.

## 2. Valuation of HTC's comparable companies

As of the trading day prior to the pricing benchmark date (October 25, 2024), the valuation metrics of the aforementioned comparable A-share listed companies are as follows:

S/N	Stock code	Stock abbreviation	Price-to-book ratio (times)
1	601727.SH	Shanghai Electric	1.63
2	600875.SH	Dongfang Electric	1.21
Maximum			1.63
Average			1.42
Minimum			1.21
HTC (calculated based on this share swap price)			1.33

Note 1: Price-to-book ratio = Closing price on October 25, 2024 / Net assets per share as of September 30, 2024.

Note 2: Net assets per share = Net assets attributable to parent company owner / Total share capital.

Note 3: For HTC, the share swap price in this transaction was used instead of the closing price on October 25, 2024 when calculating the above valuation metrics.

Data source: Listed companies' annual reports, Quarter 3 reports, Wind Info.

As of the pricing benchmark date of this transaction, HTC's share swap price was RMB 9.56 per share. Based on this, HTC's price-to-book ratio is calculated as 1.33x. HTC's price-to-book ratio is close to the average of comparable companies.

### III. Comparable transactions valuation approach

#### (I) Analysis of Hirisun's share swap price by comparable transactions approach

Completed share swap mergers of B-share listed companies by A-share listed companies were selected for reference analysis. Details are as follows:

In Shares				
Transaction type	Transaction name	Average trading price of the merging party over the 20 trading days prior to pricing benchmark date	Share swap price of the merging party	Share swap premium rate of the merging party
Merger of B-share by A-share	Midea Group's share swap merger of Little Swan's B-share	42.04	42.04	0.00%
Merger of B-share by A-share	Nanshan Holdings' merger of Shenzhen Base's B-share	6.48	5.83	-10.03%
Merger of B-share by A-share	Chengtou Holding's merger of Yangchen's B-share	7.16	15.5	116.48%
Merger of B-share by A-share	Guanhao High-Tech's merger of Foshan Huaxin Packaging's Packaging B	3.62	3.62	0.00%
Maximum of the merging party's share swap premium rate				116.48%
Third quartile of the merging party's share swap premium rate				29.12%
Average of the merging party's share swap premium rate				26.61%
Median of the merging party's share swap premium rate				0.00%
First quartile of the merging party's share swap premium rate				-2.51%
Minimum of the merging party's share swap premium rate				-10.03%
Hirisun's share swap premium rate in this transaction				0.00%

Note 1: The merging party's share swap price is based on data as of its pricing benchmark date in relevant cases, without considering subsequent adjustments due to ex-rights/ex-dividend events.

Data source: Listed companies' announcements, Wind Info.

As of the pricing benchmark date of this transaction, Hirisun's share swap price was RMB 9.56 per share, showing no premium compared to the average trading price over 20 trading days prior to the pricing benchmark date and it falls at the median level of the merging party's share swap premium rate in the above comparable transactions, which complies with market practices.

(II) Analysis of HTC's share swap price by comparable transactions approach

Completed share swap mergers of B-share listed companies by A-share listed companies were selected for reference analysis. Details are as follows:

Transaction type	Transaction name	Average trading price of the merged party over the 20 trading days prior to pricing benchmark date	Share swap price of the merged party	Share swap premium rate of the merged party
Merger of B-share by A-share	Midea Group's share swap merger of Little Swan's B-share	HKD 37.24 per share	HKD 48.41 per share	29.99%
Merger of B-share by A-share	Nanshan Holdings' merger of Shenzhen Base's B-share	HKD 16.62 per share	HKD 23.27 per share	40.01%
Merger of B-share by A-share	Chengtou Holding's merger of Yangchen's B-share	USD 1.160 per share	USD 2.522 per share	117.41%
Merger of B-share by A-share	Guanhao High-Tech's merger of Foshan Huaxin Packaging's Packaging B	HKD 2.86 per share	HKD 4.59 per share	60.49%
Maximum of the merged party's share swap premium rate				117.41%
Third quartile of the merged party's share swap premium rate				74.72%
Average of the merged party's share swap premium rate				61.98%
Median of the merged party's share swap premium rate				50.25%
First quartile of the merged party's share swap premium rate				37.51%
Minimum of the merged party's share swap premium rate				29.99%
HTC's share swap premium rate in this transaction				34.46%

Note 1: The merged party's share swap price is based on data as of its pricing benchmark date in relevant cases, without considering subsequent adjustments due to ex-rights/ex-dividend events.

Data source: Listed companies' announcements, Wind Info.

As of the pricing benchmark date of this transaction, HTC's share swap price was RMB 9.56 per share, showing a 34.46% premium over 20 trading days prior to the pricing benchmark date, and it falls between the first quartile and minimum of the merged party's share swap premium rates in the above comparable transactions, which complies with market practices.

## Chapter V Analysis of the Rationality of the Dissenting Shareholder Protection Mechanism Pricing

### I. Prices of dissenting shareholder protection mechanisms for both parties

#### (I) Price of Hirisun's dissenting shareholders to acquire the right of claim

In order to protect the interests of Hirisun's shareholders and mitigate the impact of post-merger stock price fluctuations on investors, in accordance with the *Company Law* and the *Articles of Association of Hangzhou Hirisun Technology Incorporated*, Hirisun's dissenting shareholders will be granted the right to acquire the right of claim in this merger.

The cash option price for dissenting shareholders of Hirisun is set at the average trading price of Hirisun's A-shares over the 20 trading days prior to the trading suspension (i.e. the 20 trading days preceding the pricing benchmark date), which is RMB 9.56 per share.

If Hirisun undergoes ex-rights/ex-dividend events such as cash dividends, stock dividends, capital reserve converted into share capital, or rights issues between the pricing benchmark date and the implementation date of acquiring the right of claim (both dates inclusive), the price to acquire right of claim will be adjusted accordingly.

#### (II) Price of cash option of HTC's dissenting shareholders

In order to protect the interests of HTC's shareholders and mitigate the impact of post-merger stock price fluctuations on investors, in accordance with the *Company Law* and the *Articles of Association of Hangzhou Turbine Power Group Co., Ltd.*, HTC's dissenting shareholders will be granted cash options in this merger.

The cash option price for dissenting shareholders of HTC is set at the average trading price of HTC's B-shares over the 20 trading days prior to the trading suspension (i.e. the 20 trading days preceding the pricing benchmark date), which is HKD 7.77 per share. Using the RMB/HKD central parity rate published by the People's Bank of China on the last trading day before HTC's B-share suspension (i.e. on October 25, 2024, 1 HKD = RMB 0.91496), this converts to RMB 7.11 per share. If HTC undergoes ex-rights/ex-dividend events such as cash dividends, stock dividends, capital reserve converted into share capital, or rights issues between the pricing benchmark date and the implementation date of cash option (both dates inclusive), the price of cash option will be adjusted accordingly.

### II. Analysis of rationality of the price of Hirisun's dissenting shareholders to acquire the right of claim

Four historical merger cases of B-share listed companies by A-share listed companies were selected to analyze the rationality of the price of Hirisun's dissenting shareholders to acquire the right of claim in this transaction

Type of merger transaction	Transaction name	Price for merging party's to	Average trading price of merging	Merging party's share swap	Premium rate compared to	Premium rate compared
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		acquire right of claim (RMB per share)	party's A-shares over 20 trading days prior to suspension (RMB per share)	price (RMB per share)	the average price over the last 20 days	to the share swap price
Merger of B-share by A-share	Guanhao High-Tech's share swap merger of Foshan Huaxin Packaging's Packaging B	3.62	3.62	3.62	0.00%	0.00%
	Midea Group's share swap merger of Little Swan's B-share	36.27	42.04	42.04	-13.73%	-13.73%
	Nanshan Holdings' share swap merger of Shenzhen Base's B-share	5.83	6.48	5.83	-10.00%	0.00%
	Chengtou Holding's share swap merger of Yangchen's B-share	10.00	7.16	15.50	39.66%	-35.48%

Note: The right prices to acquire right of claim in the above transactions do not consider price adjustments due to dividend distributions.

The price for Hirisun's dissenting shareholders to acquire right of claim is set at RMB 9.56 per share. In this transaction, Hirisun's price to acquire right of claim is set to be consistent with the share swap price, both based on the average trading price over 20 days prior to the pricing benchmark date, which complies with market practices and is reasonable.

### III. Analysis of the rationality of the cash option pricing of HTC's dissenting shareholders

#### (I) The determination approach of HTC's cash option price complies with market practices

Four historical merger cases of B-share listed companies by A-share listed companies were selected to analyze the rationality of the cash option price of Hirisun's dissenting shareholders in this transaction

Type of merger transaction	Transaction name	Cash option price of the merged party	Average trading price of the merging party over 20 trading days prior to suspension	Share swap price	Premium rate compared to the average price over the last 20 days	Premium rate compared to the share swap price
Merger of B-share by A-share	Guanhao High-Tech's share swap merger of Foshan Huaxin Packaging's Packaging B	HKD 2.86 per share	HKD 2.86 per share	HKD 4.59 per share	0.00%	-37.69%
	Midea Group's share swap merger of Little Swan's B-share	HKD 32.55 per share	HKD 37.24 per share	HKD 48.41 per share	-12.59%	-32.76%
	Nanshan Holdings' share swap merger of Shenzhen Base's B-share	HKD 18.28 per share	HKD 16.62 per share	HKD 23.27 per share	10.00%	-21.44%
	Chengtou Holding's share swap merger of Yangchen's B-share	USD 1.627 per share	USD 1.160 per share	USD 2.522 per share	40.26%	-35.49%

Note: The cash option prices in the above transactions only show the pricing basis and do not consider price adjustments due to dividend distributions.

The cash option price for dissenting shareholders of HTC is set at the average trading price of HTC's B-shares over the 20 trading days prior to the trading suspension (i.e. the 20 trading days preceding the pricing benchmark date), which is HKD 7.77 per share. Using the RMB/HKD central parity rate published by the People's Bank of China on the last trading day before HTC's B-share suspension (i.e. on October 25, 2024, 1 HKD = RMB 0.91496), this converts to RMB 7.11 per share. The share swap price in this transaction is RMB 9.56 per share, resulting in a 25.63% discount for the cash option price of HTC's dissenting shareholders compared to the share swap price. This discount rate is similar to those in comparable transactions of B-share merger by A-share. The pricing approach complies with market practices and is reasonable.

(II) The cash option price for HTC's dissenting shareholders helps all shareholders to promote long-term benefits from the surviving company's future development

This transaction is an important measure to thoroughly implement President Xi Jinping's Thought on Socialism with Chinese Characteristics and the spirit of the Third Plenary Session of the 20th CPC Central Committee, and to implement the guiding ideology of the CPC Central Committee and the State Council to deepen the reform of state-owned enterprises, which is helpful to improve the industrial layout of state-owned listed companies, improve asset quality and operational efficiency, and realize the preservation and appreciation of state-owned assets. Prior to the transaction, HTC's B-shares suffered from weak liquidity and significant undervaluation compared to A-share peers in the same industry, which was unfavorable for HTC's development and the interests of minority shareholders. Facing increasingly intense industry competition and new industry trends, this transaction will help resolve HTC's long-standing historical issues, broaden financing channels, enhance financing capabilities, and leverage capital markets to transform HTC into a more profitable and higher-quality listed company. Following this transaction, the surviving company will continue to strengthen the independent R&D and application of gas turbines with the support of the capital market, driving the independent innovation and development of China's gas turbine industry and contributing to the implementation of the national "Two Engine Project" strategy.

This merger facilitates resource integration and synergy realization between both parties, enhancing overall competitiveness and aligning with the long-term interests of all shareholders of both parties. In this transaction, HTC's share swap price carries a 34.46% premium compared to the average price over 20 trading days prior to the pricing benchmark date, while no premium is set for dissenting shareholders' cash option price, which helps prevent minority shareholders from voting against the transaction against their true will at the general meeting of shareholders merely to arbitrage potential price differences between the cash option price and market reference price, thus creating unnecessary adverse effects to this transaction. Furthermore, setting the cash option price below the swap price encourages HTC's shareholders to actively participate in the share swap, enabling all shareholders of HTC to benefit from long-term integration benefits of both parties.

In conclusion, the cash option price of HTC's dissenting shareholders is reasonable.

## Chapter VI Report Conclusions

### I. Report conclusions

Based on the foregoing analysis, this report primarily adopts the comparable companies approach and comparable transactions approach to analyze the rationality of the share swap price and the price of the dissenting shareholder protection mechanism in this transaction. The valuation of this transaction is reasonable, the pricing is fair.

### II. Limitations on report usage

This report may only be used for the purposes and applications expressly stated herein. Furthermore, this report evaluates the rationality of the share swap merger price under the stated objectives, without considering the impact of changes in domestic and international macroeconomic conditions and policies, or natural forces and other force majeure on asset prices. If the aforementioned conditions or the going concern assumptions underlying this report change, the conclusions of this report will generally become invalid. China Securities does not assume any legal liability for the invalidation of the report's conclusions due to such changes.

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This report is valid for 12 months: from October 26, 2024, to October 26, 2025.

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China Securities Co., Ltd.

April 24, 2025