

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 01-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心27樓2701-2708室
Tel電話: (852) 2593 9678 Fax傳真: (852) 2802 0863
Email 電郵: enquiry@bmintelligence.com Website 網址: www.bmi-appraisals.com

25 June 2025

The Directors

China Qinfa Group Limited

Room 5703, 57th Floor

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Dear Sirs or Madams,

Re: Valuation of 100% equity interest in Perpetual Goodluck Limited and its subsidiaries

1. INSTRUCTIONS

We refer to the instructions from China Qinfa Group Limited (referred to as the “**Company**”) for us to provide our independent opinion on the market value of 100% equity interest in Perpetual Goodluck Limited (referred to as the “**Disposal Company**”) together with its subsidiaries (collectively referred to as the “**Disposal Group**”).

2. PURPOSE OF VALUATION

The purpose of our valuation is to provide an independent opinion on the market value of the Disposal Group as at the date of valuation in relation to the acquisition of the Disposal Group by the Company.

3. DATE OF VALUATION

The date of valuation is 31 December 2024 (referred to as the “**Valuation Date**”).

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4. BASIS OF VALUATION

This report has been prepared in accordance with the International Valuation Standards issued by the International Valuation Standards Council.

Our valuation has been carried out on the basis of market value. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

5. BACKGROUND OF THE COMPANY AND THE DISPOSAL GROUP

Background of the Company

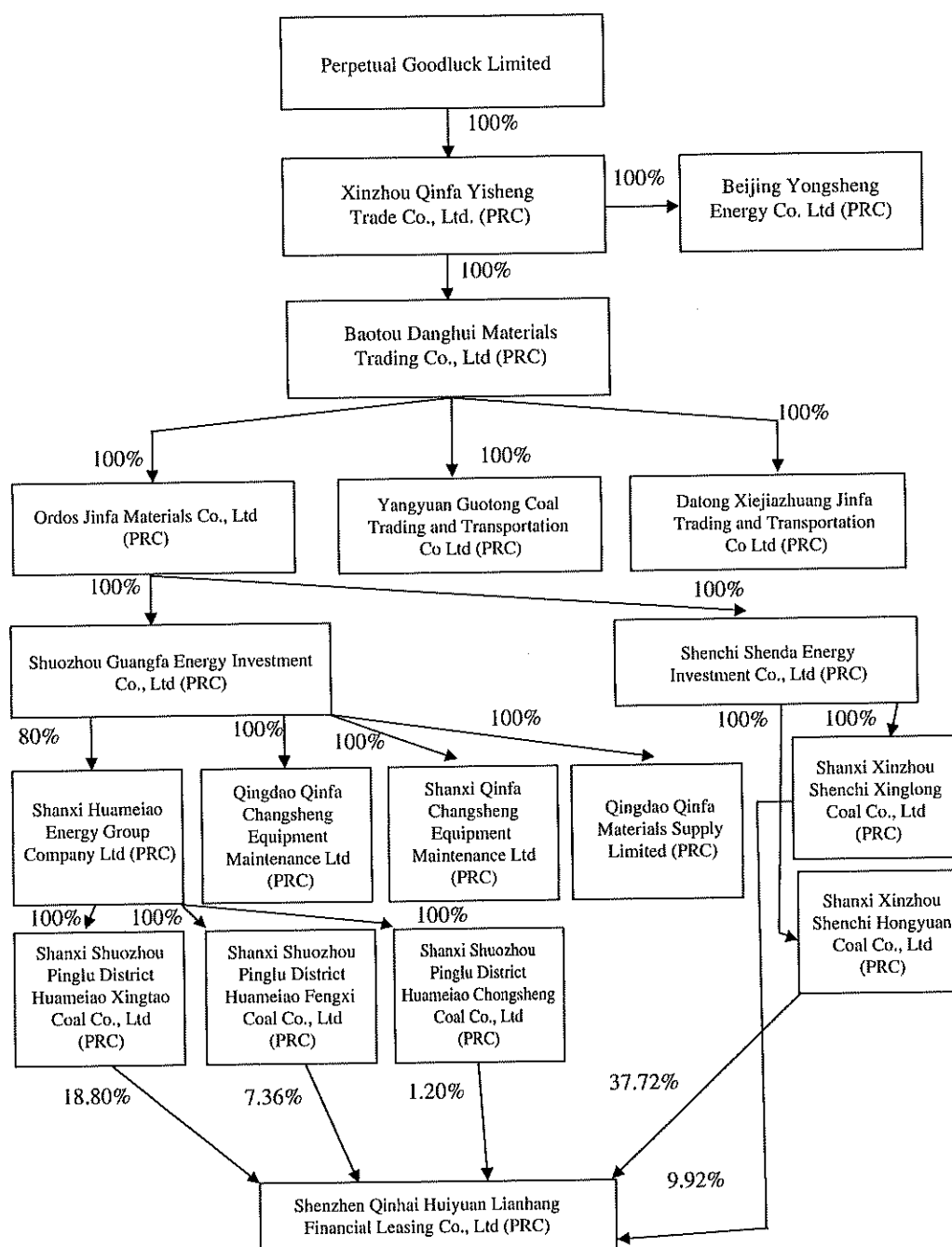
The Company is a publicly listed company with limited liability. It was incorporated in the Cayman Islands on 4 March 2008 and has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 866) since 2009. The Company is an investment holding company. Along with its subsidiaries, the Company is principally engaged in coal operation business involving coal mining, purchase and sales, filtering, storage, blending of coal in the People’s Republic of China (referred to as the “PRC”).

Background of the Disposal Group

Perpetual Goodluck Limited is a company incorporated in Hong Kong with limited liability. It is principally engaged in coal mining and operation, sales of coal from coal mines located in the PRC. According to the graph below, it is holding 100% of the following subsidiaries, Xinzhou Qinfa Yisheng Trade Co., Ltd., Baotou Danghui Materials Trading Co., Ltd, Ordos Jinfa Materials Co., Ltd, Yangyuan Guotong Coal Trading and Transportation Co Ltd, Datong Xiejiazhuang Jinfa Trading and Transportation Co Ltd, Shuozhou Guangfa Energy Investment Co., Ltd, Shenchu Shenda Energy Investment Co., Ltd, Qingdao Qinfa Materials Supply Limited, Qingdao Qinfa Changsheng Equipment Maintenance Ltd, Shanxi Qinfa Changsheng Equipment Maintenance Ltd, Shanxi Xinzhou Shenchu Xinglong Coal Co., Ltd (referred as “Shenda Energy – Xinglong”), and Shanxi Xinzhou Shenchu Hongyuan Coal Co., Ltd (referred as “Shenda Energy – Hongyuan”).

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Furthermore, Shuozhou Guangfa Energy Investment Co., Ltd is holding 80% of Shanxi Huameiao Energy Group Company Ltd (referred as “**Huameiao**”). Huameiao is holding 100% of the following subsidiaries, Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd (referred as “**Huameiao Energy – Xingtao**”), Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd (referred as “**Huameiao Energy – Fengxi**”) and Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd (referred as “**Huameiao Energy – Chongsheng**”). Shenzhen Qinhai Huiyuan Lianhang Financial Leasing Co., Ltd is currently owned by Huameiao Energy – Xingtao, Huameiao Energy – Fengxi, Huameiao Energy – Chongsheng, Shenda Energy – Xinglong and Shenda Energy – Hongyuan with approximately 18.8%, 7.36%, 1.20%, 37.72% and 9.92% respectively. Upon completion of the reorganisation for the purpose of the proposed transaction, the shareholding structure of the Disposal Group is as follows:

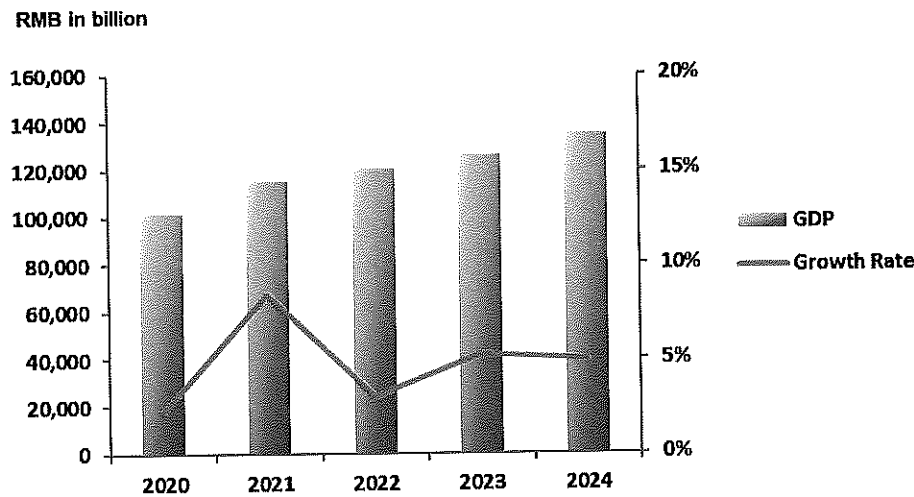


6. INDUSTRY OVERVIEW

The PRC Economy

The national economy of the PRC continued to recover in 2024 after COVID-19 prevention and control. As illustrated in Figure 1 below, the gross domestic product (GDP) of the year was RMB134,908 billion, up by 5.0% over the previous year. Of this total, the value added of the primary industry was RMB9,141.4 billion, up by 3.5% year-over-year (YoY), that of the secondary industry was RMB49,208.7 billion, up by 5.3% YoY and that of the tertiary industry was RMB76,558.3 billion, up by 5.0% YoY. The value added of the primary industry accounted for 6.8% of the GDP, that of the secondary industry accounted for 36.5%, and that of the tertiary industry accounted for 56.7%.

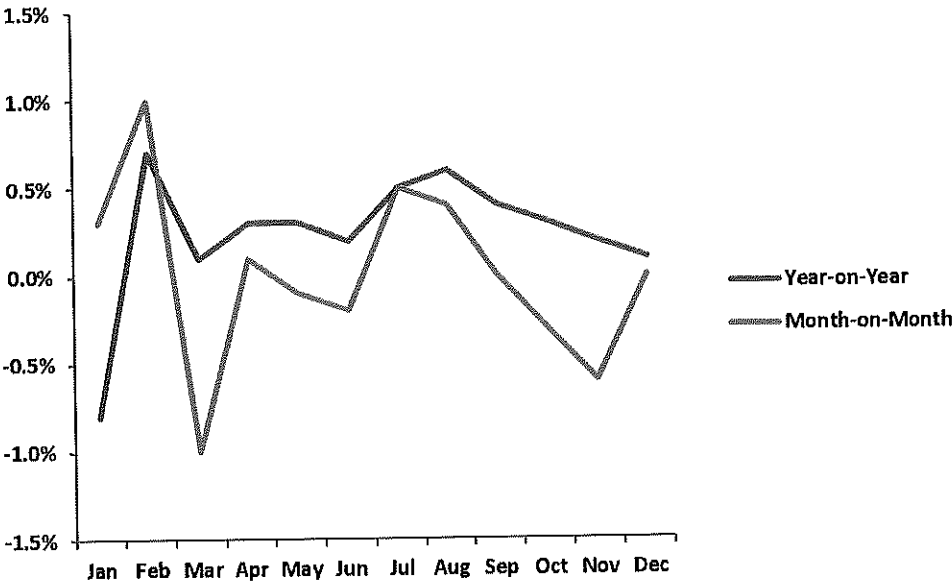
Figure 1: Gross Domestic Product in the PRC, 2020-2024



Source: National Bureau Statistics of China

The consumer prices increased slightly by 0.2% YoY in year 2024. The prices for food, tobacco and alcohol decreased by 0.1%, clothing up by 1.4%, housing increased by 0.1%; articles and services for daily use increased by 0.5% and transportation and communication went down by 1.9%. In December 2024, the national consumer price index (CPI) increased by 0.1% year on year. Among them, the price in urban areas increased by 0.1% and the price in rural areas was flat; the price for food decreased by 0.5% and for nonfood increased by 0.2%; prices for consumer goods decreased by 0.2% and for services increased by 0.5%.

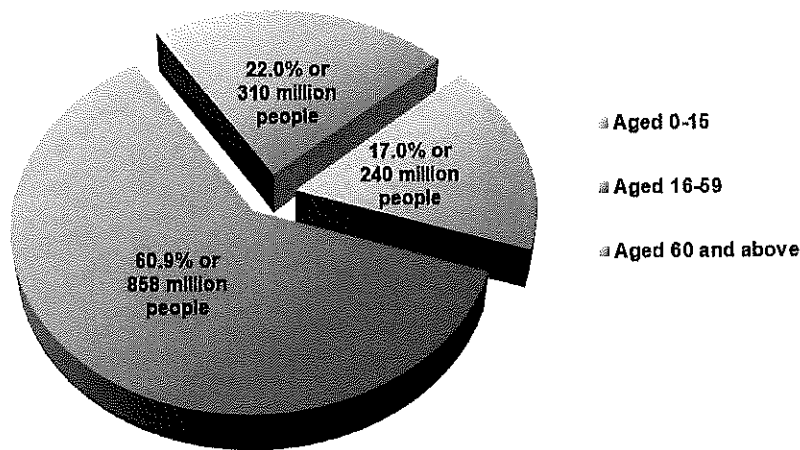
Figure 2: Monthly Changes in Consumer Prices, 2024



Source: National Bureau Statistics of China

According to Figure 3, the total number of the PRC's population reached 1,408.3 million by the end of 2024, a decrease of 1.39 million from the end of 2023. The number of urban permanent residents has increased to 943.5 million, accounting for 67% of the total population. In 2024, 9.5 million of births have recorded with a birth rate of 6.77 per thousand, and 10.9 million of deaths with a death rate of 7.76 per thousand. The natural growth rate was -0.99 per thousand.

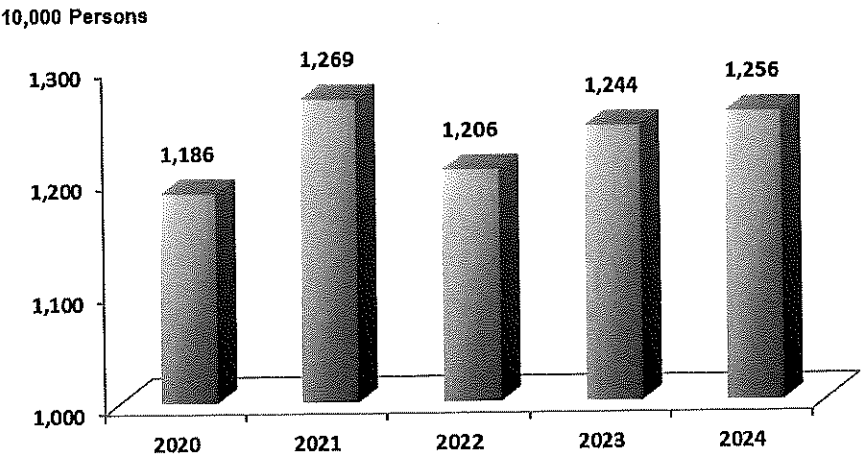
Figure 3: Population Age Composition, 2024



Source: National Bureau Statistics of China

As illustrated in Figure 4 below, the number of newly increased employed people in urban areas was 12.56 million in 2024, 0.12 million more than that of the previous year. The surveyed urban unemployment rate at the end of the year was 5.1%. The total number of migrant workers was 299.73 million, up by 0.7% over that of 2023. Specifically, the number of migrant workers who left their hometowns and worked in other places was 178.71 million, up by 0.7%, and those who worked in their own localities reached 121.02 million, up by 0.1%.

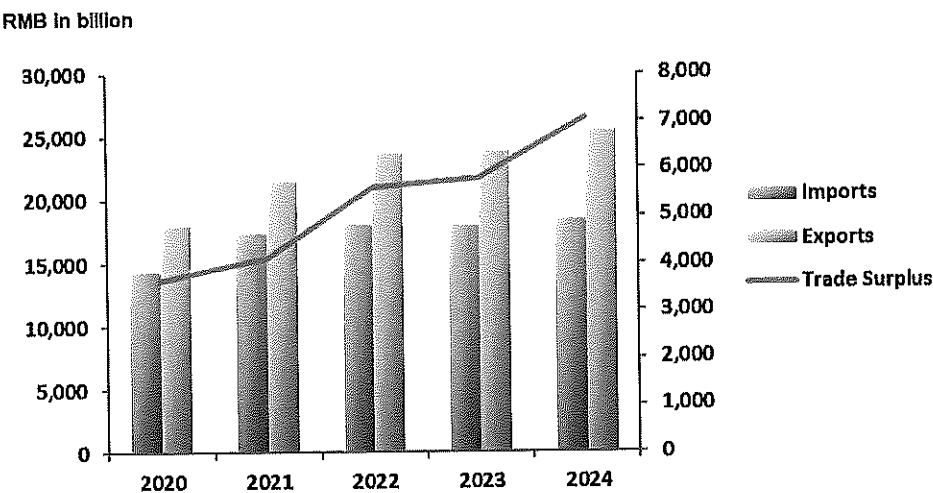
Figure 4: Newly Increased Employed Persons in Urban Areas, 2020-2024



Source: National Bureau Statistics of China

As illustrated in Figure 5 below, the total value of imports and exports of goods in 2024 reached RMB43,846.8 billion, up by 5.0% over that of the previous year. The value of goods exported was RMB25,454.5 billion or went up by 7.1% and the value of goods imported was RMB18,392.3 billion or up by 2.3%. The net exports (exports minus imports) reached RMB7,062.2 billion, up by RMB1,273.9 billion over that of the previous year.

Figure 5: Imports and Exports of Goods, 2020-2024



Source: National Bureau Statistics of China

The Coal Market in the PRC

The coal market in the PRC is a significant sector, playing a crucial role in the country’s energy landscape. The market is substantial, with a projected growth rate of about 1.65% over the coming years. According to the research done by Data Insights Market, as in 2023, the market size was valued at US\$94.65 million and is expected to reach US\$106.14 million by 2032. Mainland China’s coal production and consumption are subject to government targets, with plans to limit production to 4.1 billion tonnes and consumption to under 4.2 billion tonnes by 2025. This is part of broader efforts to peak carbon emissions by 2030 and achieve carbon neutrality by 2060, aligning with global environmental goals.

Several key trends are shaping the coal industry in the PRC. One of the most significant is the integration of renewable energy into the national energy mix. Despite coal’s dominance, Mainland China is rapidly expanding its renewable energy sector, which poses a challenge to coal as renewable energy becomes more competitive. The industry is also undergoing significant structural optimization, with a focus on larger, more efficient mines. By 2025, larger mines are expected to contribute over 85% of total coal production, marking a shift away from smaller and less efficient operations.

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However, the coal industry in the PRC faces several challenges. Environmental and climate concerns are paramount, as coal consumption accounts for a large portion of Mainland China's carbon emissions. The industry must adapt to these pressures while navigating market fluctuations that can lead to instability in production levels and prices. Furthermore, the growth of renewable energy sources poses a long-term threat to coal's dominance in the energy mix. Despite these challenges, the coal industry is expected to continue playing a crucial role in Mainland China's energy landscape.

Looking forward, the future of the coal industry in the PRC will be shaped by its ability to adapt to environmental pressures and competition from renewable energy. While coal will likely remain a significant energy source for the foreseeable future, industry must evolve to meet changing environmental and economic conditions. This includes investing in cleaner technologies and diversifying into value-added products like coal-to-chemicals. By doing so, the coal sector can maintain its relevance while contributing to Mainland China's broader energy transition goals. Overall, the coal market in the PRC has opportunities for growth and innovation amidst the challenges of sustainability and competition.

7. SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational information in respect of the Disposal Group provided by the senior management of the Company.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we also obtained market data, industrial information and statistical figures from publicly available sources.

8. SCOPE OF WORKS

The following processes have been conducted by us in the course of our valuation:

- Interviewed with the senior management of the Company in respect of the core operation of the Disposal Group;
- Obtained relevant financial and operational information in respect of the Disposal Group from the senior management of the Company;
- Examined the basis and assumptions of the financial and operational information in respect of the Disposal Group provided by the senior management of the Company;
- Conducted appropriate research to obtain sufficient market data, industry information and statistical figures from publicly available sources; and
- Prepared the valuation and this report in accordance with generally accepted valuation procedures and practices.

9. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuation. The major assumptions adopted in our valuation are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Disposal Group is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where the Disposal Group is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the products and/or services of the Disposal Group or similar products and/or services will not differ materially from those of present or expected;
- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of the Disposal Group or similar products and/or services will not differ materially from those of present or expected;
- The products and/or services of the Disposal Group or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of the Disposal Group or similar products and/or services; and
- The market data, industrial information and statistical figures obtained from publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of the Disposal Group have been obtained or can be obtained upon request with an immaterial cost;
- The core operation of the Disposal Group will not differ materially from those of present or expected;
- The financial and operational information in respect of the Disposal Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;

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- The Disposal Group currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Disposal Group, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Disposal Group;
- The Disposal Group has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- The senior management of the Disposal Group will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Disposal Group;
- The senior management of the Disposal Group has sufficient knowledge and experience in respect of the operation of the Disposal Group, and the turnover of any director, management or key person will not affect the operation of the Disposal Group;
- The senior management of the Disposal Group has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Disposal Group; and
- The senior management of the Disposal Group has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Disposal Group.

10. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuation: (1) the income approach; (2) the market approach; (3) the cost approach; and (4) the asset-based approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash expenses, such as depreciation and amortization expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The sales comparison method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

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Asset-based Approach

The asset-based approach provides an indication of value based on the principle that the sum of each asset and liability component represents the overall value of an entity. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business enterprise and equals to the value of its invested capital (equity and long-term debt). In other words, the value of the business enterprise is represented by the money that has been collected to purchase the business assets needed. This money comes from investors who buy the stocks of the business enterprise (equity) and investors who lend money to the business enterprise (debt). After collecting the total amount of money from equity and debt, and converted into various types of assets of the business enterprise for its operations, their sum equals the value of the business enterprise.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The cost approach does not directly incorporate information about the economic benefits contributed by the subject asset, and it is generally applied to newly established companies or a company that is unable to conduct effective assessment by using income approach or market approach.

The market approach, instead, relies generally on deriving value through a measure of the values of industry comparables or market transactions. Given the characteristics of the Disposal Group, there was a lack of explicitly industry comparables or market transactions available as at the date of valuation to derive an indicative value of the Disposal Group with sufficient level of accuracy. Accordingly, the market approach was abandoned.

The asset-based approach is considered to be the most appropriate one for measuring the market value of the Disposal Group except the non-current assets of the Disposal Group. The principle underlying the asset-based approach is that the value of ownership of an enterprise is equivalent to the market value of its assets less the market value of its liabilities.

The income approach was considered to be the most appropriate valuation approach in the valuation of the subsidiaries that operate in mining, i.e. Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd (i.e. Huameiao Energy – Xingtao), Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd (i.e. Huameiao Energy – Fengxi), Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd (i.e. Huameiao Energy – Chongsheng), Shanxi Xinzhou Shenchu Xinglong Coal Co., Ltd (i.e. Shenda Energy – Xinglong) and Shanxi Xinzhou Shenchu Hongyuan Coal Co., Ltd (i.e. Shenda Energy – Hongyuan), as it takes the future growth potential and firm-specific issues of the Disposal Group into consideration. Under the income approach, the discounted cash flow (“DCF”) method was adopted.

11. VALUATION METHODOLOGY AND PARAMETERS

I. Five Subsidiaries that Operate in Mining

Under the income approach, the discounted cash flow (DCF) method was adopted in the valuation. The DCF method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows were computed using the following formula:

$$FCF = NI + NCE + Int (1 - T_{int}) - NCI - InvFA - InvNWC$$

Where:

<i>FCF</i>	=	free cash flow
<i>NI</i>	=	net income after tax
<i>NCE</i>	=	non-cash expenses
<i>Int</i>	=	interest expenses
<i>T_{int}</i>	=	tax rate applied to interest expense
<i>Int (1 - T_{int})</i>	=	after-tax interest expense
<i>NCI</i>	=	non-cash incomes
<i>InvFA</i>	=	investment in capital expenditure
<i>InvNWC</i>	=	investment in net working capital

The results were then discounted using a discount rate, or the cost of capital, to determine the present value of the expected cash flows.

The present value of the expected cash flows was computed using the following formula:

$$PVFCF = FCF_1 / (1 + r)^1 + FCF_2 / (1 + r)^2 + \dots + FCF_n / (1 + r)^n$$

Where:

<i>PVFCF</i>	=	present value of free cash flows
<i>FCF</i>	=	free cash flow
<i>r</i>	=	discount rate
<i>n</i>	=	number of year of projections

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Cash-flow Forecast

We have performed our valuation based on the financial forecast of the Disposal Group provided by the senior management of the Disposal Group (the "Management"). We discussed with the Management regarding the relevant assumptions.

The following assumptions were considered and adopted in the forecast, including but not limited to:

- The reserves and mine life below were estimated based on the Competent Person's Report. The mines have no terminal value as the mine life is definite and tied directly to the depletion of the coal reserves. Once the coal reserves are exhausted, the mines cease and therefore there is no terminal value;

Mine	Reserves (Mt)	Mine Life (years)
Huameiao Energy – Xingtao	7.14	3
Huameiao Energy – Fengxi	0.94	1
Huameiao Energy – Chongsheng	4.72	4
Shenda Energy – Xinglong	13.50	18
Shenda Energy – Hongyuan	10.46	14

- The end of forecasted period of each mine is as follows;

Mine	End of Forecasted Period
Huameiao Energy – Xingtao	2027
Huameiao Energy – Fengxi	2025
Huameiao Energy – Chongsheng	2028
Shenda Energy – Xinglong	2045
Shenda Energy – Hongyuan	2040

- The annual revenue growth rate was determined based on: (a) the annual production of coal of each of the mines; and (b) the coal price. The coal prices are determined based on the information provided by the Company with regard to the types of coal the Disposal Group produces, and forecasted at 2% rate with reference to the inflation of the PRC.

- The annual production, coal price, revenue, revenue growth rate, operating expenses and capital expenditure of each of the mines are as follows:

**(a) Huameiao Energy
– Xingtao**

	2025	2026	2027
Annual production (in million tons) (Rounded)	2.0	1.4	1.24
Coal price (in RMB)	481	490	500
Revenue (in RMB millions) (Rounded)	961	686	622
Revenue growth rate		-29%	-9%
Operating expenses (in RMB millions) (Rounded)	329	234	213
Capital expenditure (in RMB) (Rounded)*	0	0	0

(b) Huameiao Energy – Fengxi

	2025
Annual production (in million tons) (Rounded)	0.6
Coal price (in RMB)	481
Revenue (in RMB millions) (Rounded)	292
Revenue growth rate	N/A
Operating expenses (in RMB millions) (Rounded)	84
Capital expenditure (in RMB) (Rounded)*	0

**(c) Huameiao Energy –
Chongsheng**

	2025	2026	2027	2028
Annual production (in million tons) (Rounded)	0.9	1.5	0.5	0.2
Coal price (in RMB)	481	490	500	510
Revenue (in RMB millions) (Rounded)	408	735	240	121
Revenue growth rate		80%	-67%	-49%
Operating expenses (in RMB millions) (Rounded)	120	216	70	36
Capital expenditure (in RMB million) (Rounded)*	46	50	0	0

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(d) Shenda Energy – Xinglong	2028	2029	2030	2031	2032	2033
Annual production (in million tons) (Rounded)	0.1	0.1	0.1	0.9	0.9	0.9
Coal price (in RMB)	497	507	517	528	538	549
Revenue (in RMB millions) (Rounded)	50	51	52	475	485	494
Revenue growth rate		2%	2%	818%	2%	2%
Operating expenses (in RMB millions) (Rounded)	15	15	16	143	146	148
Capital expenditure (in RMB million) (Rounded)*	0.7	0.7	0.8	7	24	29
Shenda Energy – Xinglong	2034	2035	2036	2037	2038	2039
Annual production (in million tons) (Rounded)	0.9	0.9	0.9	0.9	0.9	0.9
Coal price (in RMB)	560	571	583	594	606	618
Revenue (in RMB millions) (Rounded)	504	514	524	535	546	557
Revenue growth rate	2%	2%	2%	2%	2%	2%
Operating expenses (in RMB millions) (Rounded)	151	154	157	161	164	167
Capital expenditure (in RMB million) (Rounded)*	9	83	9	9	10	3
Shenda Energy – Xinglong	2040	2041	2042	2043	2044	2045
Annual production (in million tons) (Rounded)	0.9	0.9	0.9	0.9	0.9	0.6
Coal price (in RMB)	631	643	656	669	683	696
Revenue (in RMB millions) (Rounded)	567	579	591	602	614	418
Revenue growth rate	2%	2%	2%	2%	2%	-32%
Operating expenses (in RMB millions) (Rounded)	170	173	177	180	184	125
Capital expenditure (in RMB million) (Rounded)*	3	3	3	3	3	3

(e) Shenda Energy – Hongyuan	2027	2028	2029	2030	2031	2032	2033
Annual production (in million tons) (Rounded)	0.4	0.6	0.9	0.9	0.9	0.9	0.9
Coal price (in RMB)	471	480	490	500	510	520	530
Revenue (in RMB millions) (Rounded)	188	288	441	450	459	468	477
Revenue growth rate	53%	53%	2%	2%	2%	2%	2%
Operating expenses (in RMB millions) (Rounded)	99	90	138	141	144	146	149
Capital expenditure (in RMB million) (Rounded)*	7	10	24	18	92	9	8
Shenda Energy – Hongyuan	2034	2035	2036	2037	2038	2039	2040
Annual production (in million tons) (Rounded)	0.9	0.9	0.9	0.9	0.8	0.5	0.1
Coal price (in RMB)	541	552	563	574	586	597	609
Revenue (in RMB millions) (Rounded)	487	497	507	517	445	299	61
Revenue growth rate	2%	2%	2%	2%	-14%	-33%	-80%
Operating expenses (in RMB millions) (Rounded)	152	155	158	161	139	93	19
Capital expenditure (in RMB million) (Rounded)*	8	8	3	3	3	3	3

*Note: The amount of capital expenditure was estimated based on the Disposal Group's business plan.

- The working capital was determined with reference to estimations based on the Disposal Group's business plan.
- The range of EBITDA margin for each of the mines in the forecasted period are as follows:

Mine	EBITDA margin (Rounded)
Huameiao Energy – Xingtao	65.8%–65.9%
Huameiao Energy – Fengxi	71.3%
Huameiao Energy – Chongsheng	70.6%–70.7%
Shenda Energy – Xinglong	69.9% to 70.1%
Shenda Energy – Hongyuan	47.7%–68.8%

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Comparable Companies

For the purpose of our valuation, we referred to the information in respect of publicly listed companies that are considered to be comparable to the Disposal Group (referred to as the “Comparable Companies”). The data of Comparable Companies was adopted in the discount rate.

Selection Criteria of the Comparable Companies

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The selection criteria of the Comparable Companies are as follows:

- The Comparable Companies are principally engaged in the provision of coal mining services and the related operation;
- Shares of the Comparable Companies are listing in a major stock exchange in PRC and are being actively traded in over the past 5 years; and
- Detailed financial and operational information in respect of the Comparable Companies are available at publicly available sources.

Selected Comparable Companies

Given the above-mentioned selection criteria, the Comparable Companies were considered to be fair and representative samples. To the best of our knowledge, the Comparable Companies are exhaustive. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	Inner Mongolia Yitai Coal Co., Ltd.
Stock Code	:	900948 CH
Stock Exchange	:	Shanghai Stock Exchange
Company	:	Inner Mongolia Yitai Coal Co., Ltd. operates as a coal
Description		mining company. It provides coal products mining, transporting, selling and other related services. It also operates railway transporting and coal-to-liquids industries.

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Comparable Company 2

Name of Company	:	ShanxiLu'an Environmental Energy Development Co., Ltd.
Stock Code	:	601699 CH
Stock Exchange	:	Shanghai Stock Exchange
Company	:	ShanxiLu'an Environmental Energy Development Co., Ltd.
Description	:	mines, processes and markets coal products. It produces low sulfur high quality coals, thin coals, lean coals, lean coals and other products.

Comparable Company 3

Name of Company	:	Shaanxi Coal Industry Company Limited
Stock Code	:	601225 CH
Stock Exchange	:	Shanghai Stock Exchange
Company	:	Shaanxi Coal Industry Company Limited offers coal mining and processing services. It produces original coal and washed coal products. It also conducts coal distribution and transportation businesses.
Description	:	

Comparable Company 4

Name of Company	:	Jinneng Holding Shanxi Coal Industry Co., Ltd.
Stock Code	:	601001 CH
Stock Exchange	:	Shanghai Stock Exchange
Company	:	Jinneng Holding Shanxi Coal Industry Co., Ltd. produces coal products. It mainly mines, processes and sells washed coal, thermal coal, coal chemicals and other products. It also markets its products throughout China.
Description	:	

Comparable Company 5

Name of Company	:	Shan Xi Hua Yang Group New Energy Co., Ltd.
Stock Code	:	600348 CH
Stock Exchange	:	Shanghai Stock Exchange
Company	:	Shan Xi Hua Yang Group New Energy Co., Ltd. mines and processes coal products. It produces washed fine coal, washed pulverized coal, washed lump coal and other coal products. It also operates automobile repairing, automobile leasing and other services.
Description	:	

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Comparable Company 6

Name of Company	:	Shanxi Coking Coal Energy Group Co., Ltd.
Stock Code	:	000983 CH
Stock Exchange	:	Shenzhen Stock Exchange
Company	:	Shanxi Coking Coal Energy Group Co., Ltd. produces coal
Description	:	products. It mainly mines, processes and sells raw coal, coking coal, gas coal and more. It also conducts coke production, electric power and heat generation as well as other businesses.

Comparable Company 7

Name of Company	:	Jizhong Energy Resources Co., Ltd.
Stock Code	:	000937 CH
Stock Exchange	:	Shenzhen Stock Exchange
Company	:	Jizhong Energy Resources Co., Ltd. offers coal mining and
Description	:	washing services. It produces power coal, coke and other coal chemicals. It also conducts building materials wholesale, power generation and trade businesses.

Comparable Company 8

Name of Company	:	Sundiro Holding Co., Ltd.
Stock Code	:	000571 CH
Stock Exchange	:	Shenzhen Stock Exchange
Company	:	Sundiro Holding Co., Ltd. engages in the coal mining and
Description	:	logistics business. It is also involved in the production and sale of motorcycles and accessories and electric bicycles. In addition, it engages in real estate development and property management activities as well as offers coal chemicals.

Comparable Company 9

Name of Company	:	Gansu Energy Chemical Co., Ltd.
Stock Code	:	000552 CH
Stock Exchange	:	Shenzhen Stock Exchange
Company	:	Gansu Energy Chemical Co., Ltd. operates coal businesses.
Description	:	It explores, process raw coal and coking coal products. It also conducts power generation and supply businesses.

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Discount Rate

The Weighted Average Cost of Capital (WACC) was adopted as the discount rate for the valuation. It is the required return on the capital investment of a company. The cost of capital will be different for each source of capital and class of securities a company has, reflecting the different risks. The WACC is the weighted average of the costs of each of the different types of capital, and the weights are proportion of the company's capital that comes from each source.

The WACC was computed using the following formula:

$$WACC = R_e (E/V) + R_d (D/V) (1 - T_c)$$

Where:

$WACC$	=	weighted average cost of capital
R_e	=	cost of equity
R_d	=	cost of debt
E	=	value of the firm's equity
D	=	value of the firm's debt
V	=	sum of the values of the firm's equity and debt
T_c	=	corporate tax rate

The WACC comprises two components: the cost of equity and the cost of debt. The cost of equity was determined using the Capital Asset Pricing Model (CAPM). The CAPM describes the relationship between the risk of a particular asset, its market price and the expected return to the investor, that investors required additional return to compensate additional risk associated.

The cost of equity under the modified CAPM was computed using the following formula:

$$R_e = R_f + \beta * MRP + RP_S + RP_U$$

Where:

R_e	=	cost of equity
R_f	=	risk-free rate
β	=	beta coefficient
MRP	=	market risk premium
RP_S	=	size premium
RP_U	=	company-specific risk premium

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Risk-free Rate

R_f The risk-free rate (R_f) represents the time value of money. It is the theoretical rate of return of an investment with no risk of financial loss. The yield rate of bonds issued by a government or agency where the risks of default are so low as to be negligible are commonly applied as the risk-free rate.

The yield rate of the 10-year Central Government Bond of the PRC as at the date of valuation was adopted as the risk-free rate in the valuation.

Beta Coefficient

β The beta coefficient (β) measures the risk of an asset relative to the overall market. It reflects the sensitivity of an asset's value to economic variables or risks that affect the values of all risky assets, including economic growth rates, interest rates, exchange rates and inflation rates.

In the valuation, as the Disposal Group is not listing in any major stock exchange or be marketable in any over-the-counter market, it is not possible to determine its beta coefficient directly. Instead, the beta coefficient for the Disposal Group was determined as the median of the betas of the Comparable Companies, with adjustment for differences in corporate tax rates and leverage compositions.

The adjusted betas of the Comparable Companies, which measure their risks relative to the market, were derived from the corresponding raw betas, modified by the assumption that a security's beta moves toward the market average over time with the following generally accepted formula:

$$\text{Adjusted Beta} = (1/3) + (2/3) * \text{Raw Beta}$$

The unlevered beta was calculated to consider the differences in corporate tax rates and leverage compositions of the Disposal Group and the Comparable Companies. The unlevered beta removes the effects of the use of leverage on the capital structure of a firm. Removing the debt component allows an investor to compare the base level of risk among various companies.

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The unlevered beta was computed using the following formula:

$$\beta_{unlevered} = \beta_{levered} / [1 + (1 - T_c) (D/E)]$$

Where:

$\beta_{unlevered}$	=	unlevered beta
$\beta_{levered}$	=	levered beta
T_c	=	corporate tax rate
D	=	value of the firm's debt
E	=	value of the firm's equity
D/E	=	debt-to-equity ratio

The median of the unlevered betas of the Comparable Companies was then being relevered based on the specific corporate tax rate and the expected debt-to-equity ratio applied to the Disposal Group.

The relevered beta was computed using the following formula:

$$\beta_{relevered} = \beta_{unlevered} * [1 + (1 - T_c) (D/E)]$$

Where:

$\beta_{relevered}$	=	relevered beta
$\beta_{unlevered}$	=	unlevered beta
T_c	=	corporate tax rate
D	=	value of the firm's debt
E	=	value of the firm's equity
D/E	=	debt-to-equity ratio

Market Risk Premium

MRP The market risk premium (*MRP*) is the implied risk premium expected from the market using forecasted growth rates, earnings, dividends, payout ratios and current values. It represents the additional return required by an investor as compensation for investing in equities rather than a risk-free instrument.

The market risk premium of the PRC as at the date of valuation was computed using the market risk premium of the United States and the country risk premium of the PRC.

Size Premium

By considering the size of the Disposal Group, a size premium was adopted in the valuation.

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Company-specific Risk Premium

By considering the additional risk associated with the operation of the Disposal Group, a company-specific risk premium was adopted in the valuation.

Cost of Equity

The cost of equity was determined using the CAPM.

Cost of Debt

The cost of debt was determined by the expected lending rate of the Disposal Group.

After-tax Cost of Debt

Since the interest paid on debts are tax-deductible expense for a company, the cost of the company of obtaining debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate of the PRC by the cost of debt.

Weight of Debt

The weight of debt was determined by the median of the weights of debt of the Comparable Companies, assuming that the weight of debt of the Disposal Group moves toward that of the median of the Comparable Companies over time.

Weight of Equity

The weight of equity was determined by the median of the weights of equity of the Comparable Companies, or calculated as one minus the weight of debt of the Disposal Group.

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Adopted Rates of Valuation Parameters

In the valuation, the adopted rates of the abovementioned valuation parameters are as follows:

Valuation Parameter	As at 31 December 2024	
	Xingtao, Fengxi, Chongsheng	Xinglong, Hongyuan
a. Risk-free Rate	1.68%	1.68%
b. Beta Coefficient	0.813	0.813
c. Market Risk Premium	7.20%	7.20%
d. Size Premium	2.66%	2.66%
e. Company-specific Risk Premium	2.00%	5.00%
f. Cost of Equity	12.19%	15.19%
g. Cost of Debt	4.90%	4.90%
h. After-tax Cost of Debt	3.68%	3.68%
i. Weight of Debt	18.45%	18.45%
j. Weight of Equity	81.55%	81.55%
k. Discount Rate	10.62%	13.07%

A post-tax discount rate of approximately 11% was adopted for appraising the valuation of three of the subsidiaries of the Disposal Group that operate in mining and a post-tax discount rate of approximately 13% was adopted for appraising the valuation of the remaining two subsidiaries of the Disposal Group that operate in mining.

Discount for Lack of Marketability (DLOM)

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

The discount for lack of marketability reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the Disposal Group is not listed in any major stock exchange or be marketable in any over-the-counter market in the near future, a discount for lack of marketability has been adopted in the valuation. The Stout Restricted Stock Study analyzes the transaction database from major stock trading exchange and provides mean and median discount rates. We adopted the discount rate of 20.4% from the Stout Restricted Stock Study as the DLOM for the valuation.

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The market values of the five subsidiaries that operate in mining are as follows:

	<i>(in RMB'000)</i> <i>(Rounded)</i>
Huameiao Energy – Xingtao	381,000
Huameiao Energy – Fengxi	109,000
Huameiao Energy – Chongsheng	543,000
Shenda Energy – Xinglong	740,000
Shenda Energy – Hongyuan	<u>732,000</u>
Total	<u><u>2,505,000</u></u>

II. The Disposal Group except the Non-current Assets of the Disposal Group

In our valuation, it is assumed that the market values of all assets and liabilities of the Disposal Group except the non-current assets of the Disposal Group as at the date of valuation are the same as the book values as at 31 December 2024.

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Other than the five subsidiaries that operate in mining which are booked under the non-current assets of the Disposal Group, the book values of all assets and liabilities of the Disposal Group as at 31 December 2024 were as follows:

Net Asset/(Liabilities) Value of the Disposal Group except the Non-current Assets of the Disposal Group:

As at 31 December 2024	Book Value (RMB'000)	Market Value* (RMB'000)
ASSETS		
Cash and cash equivalents	31,954	31,954
Pledged and restricted deposits	30,663	30,663
Trade receivables	679,994	679,994
Prepayments and other receivables	6,240,187	6,240,187
Inventories	33,319	33,319
Total Assets	7,016,117	7,016,117
LIABILITIES		
Borrowings	408,000	408,000
Trade payable	320,265	320,265
Tax payable	214,121	214,121
Other payables and contract liabilities	8,399,191	8,399,191
Total Current Liabilities	9,341,577	9,341,577
LIABILITIES		
Borrowings	11,000	11,000
Accrued reclamation obligations	102,658	102,658
Deferred taxation	395,405	395,405
Total Non-Current Liabilities	509,063	509,063
Non-controlling interest (20% of Huameiao Energy)	87,536	87,536
Non-controlling interest (20% of Shenzhen Qianhai Huiyuan Lianhang Financial Leasing Co., Ltd)	(80)	(80)
Non-controlling interest (litigation from 2025-2028)	53,291	53,291
Total net assets/(liability) of the Disposal Group (excluding the five mines) (Rounded)	(2,975,000)	(2,975,000)

* Assuming the book values of the consolidated financial statements of the Disposal Group, other than the non-current assets of the Disposal Group, are the same as market values.

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Regarding the inventories, trade receivables, prepayments and other receivables, pledged and restricted deposits as well as cash and cash equivalents, after confirmed with the Management and analyzing the natures, we assume that the net book values of the assets above should reasonably represent their fair values as at the date of valuation.

Regarding the trade payables, tax payable, other payables and contract liabilities, borrowings, accrued reclamation obligations, and deferred taxation, after confirmed with the Management, all the liabilities have fully reflected the indebtedness of the Disposal Group. As a result, we have adopted the book values as at the date of valuation.

	(in RMB '000)
	(Rounded)
Total net assets/(liability) of the Disposal Group except the non-current assets of the Disposal Group	(2,975,000)
Market Values of the five subsidiaries that operate in mining	<u>2,505,000</u>
Market values of the Disposal Group	<u><u>(470,000)</u></u>

12. SENSITIVITY ANALYSIS ON PARAMETERS

The sensitivity analysis on discount rate; and coal price growth rate adopted in the valuation, details of which are set out as follows:

Discount rate	Coal price growth rate	Market Values (in RMB) (Rounded)
9.62% and 12.07% (-1%)	2.5%(+0.5%)	(251,000,000)
10.62% and 13.07% (base input)	2.5%(+0.5%)	(398,000,000)
11.62% and 14.07% (+1%)	2.5%(+0.5%)	(531,000,000)
9.62% and 12.07% (-1%)	2% (base input)	(329,000,000)
10.62% and 13.07% (base input)	2% (base input)	(469,000,000)
11.62% and 14.07% (+1%)	2% (base input)	(595,000,000)
9.62% and 12.07% (-1%)	1.5% (-0.5%)	(399,000,000)
10.62% and 13.07% (base input)	1.5% (-0.5%)	(538,000,000)
11.62% and 14.07% (+1%)	1.5% (-0.5%)	(659,000,000)

13. STATEMENT OF INDEPENDENCE

We hereby certify that we have neither present nor prospective interest in the Company, the Disposal Group or the result reported. In addition, our directors are neither directors nor officers of the Company or the Disposal Group.

In the course of our valuation, we are acting independently of all parties.

Our fees are agreed on a lump-sum basis and are not correlated with the result as stated in this report.

14. REMARKS

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or valuations identified as being furnished by others, which have been used in formulating our analysis.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB).

15. CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company, the Disposal Group or us.

Based on our analysis outlined in this report, it is our independent opinion that the market value of 100% equity interest in Perpetual Goodluck Limited together with its subsidiaries (i.e. the Disposal Group) as at 31 December 2024 was **NOMINAL**.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED



Dr. Tony C. H. Cheng

*BSc(Bldg), MUD, MBA(Finance), MSc.(Eng), PhD(Econ),
FSOE, FIPlantE, CEnv, FIPA, FAIA, FRSM, CPA UK, SIFM, FCMA,
FRSS, MCIarb, MASCE, MHKIE, MIEEE, MASME, MIIE, MASM, MIET*
Managing Director

Note:

Dr. Tony C. H. Cheng has various engineering and accounting & finance qualifications. He is a Fellow member of Royal statistical Society, Fellow member of the Society of Operations Engineers, and the Institution of Plant Engineers, and a member of the Hong Kong Institution of Engineers and the American Society of Mechanical Engineers.

Besides, Dr. Cheng is a Fellow member of Association of International Accountants, Fellow member of the Institute of Public Accountants, and the Institute of Financial Accountants. He is also a Fellow member and Committee member of the Certified Management Accountants Australia. He has extensive experience in valuing similar assets in different industries in the Asia-Pacific region.