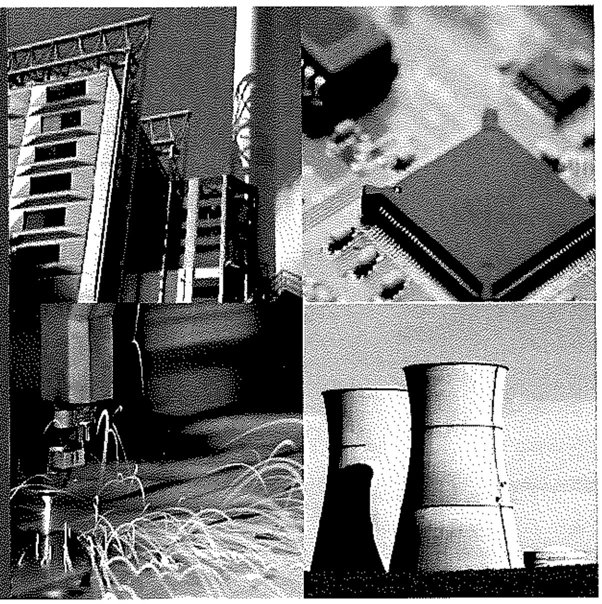
BMI APPRAISALS
中和邦盟評估有限公司

BUSINESS VALUATION



Prepared for:

CHINA QINFA GROUP LIMITED

In respect of:

40% Equity Interest in Lead Far Development Limited and its subsidiaries

Valuation Date	:	**31 December 2023**
Report Date	:	**25 June 2024**
Our Reference	:	**G2534/C20958/BV24021P/7031(R2)**

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BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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25 June 2024

The Directors
China Qinfa Group Limited
Room 5706, 57th Floor
Central Plaza,
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Re: Valuation of 40% equity interest in Lead Far Development 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 40% equity interest in Lead Far Development Limited (referred to as the "**Target Company**") together with its subsidiaries (collectively referred to as the "**Target Group**").

2. PURPOSE OF VALUATION

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

3. DATE OF VALUATION

The date of valuation is 31 December 2023 (referred to as the "**Valuation Date**").

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".

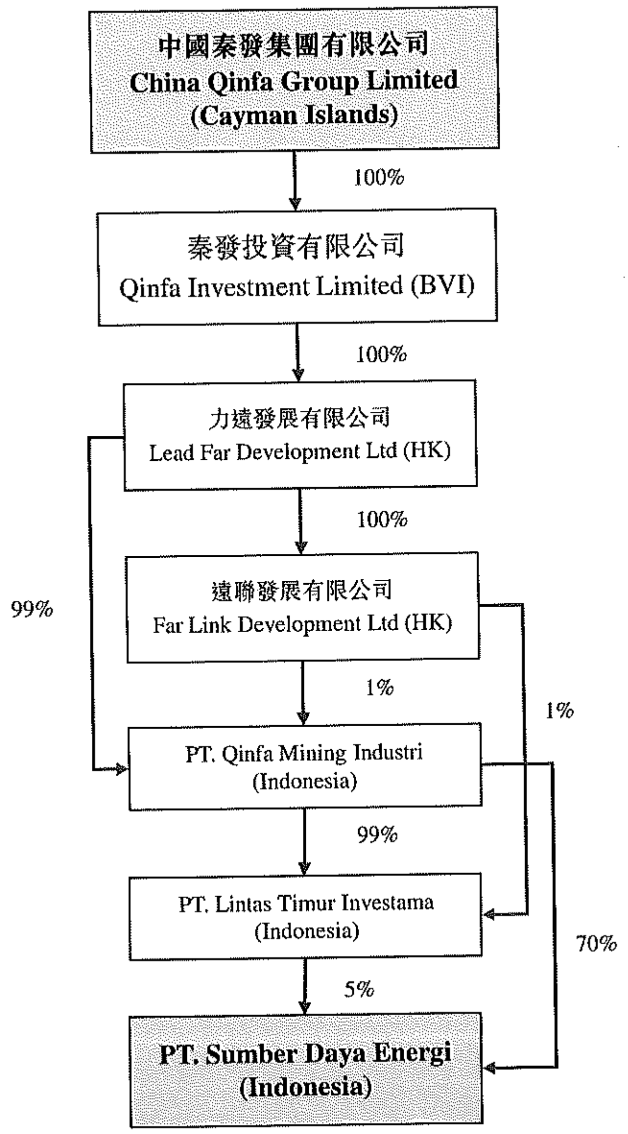
5. BACKGROUND OF THE COMPANY AND THE TARGET GROUP

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 the 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 Target Group

Lead Far Development Limited (力遠發展有限公司) is a company incorporated in Hong Kong with limited liability. It is holding 100% in Far Link Development Limited, 99% in PT Qinfa Mining Industri and 99% in PT Lintas Timur Investama. Far Link Development Limited holds 1% of PT Qinfa Mining Industri and PT Lintas Timur Investama. PT Qinfa Mining Industri and PT Lintas Timur Investama respectively hold 70% and 5% in PT Sumber Daya Energi Company ("**SDE**"). SDE is currently owned by PT Qinfa Mining Industri, PT Widyanusa Mandiri ("**WM**") and PT Linta Timur Investama as to 70%, 25% and 5%. Upon completion of the reorganisation for the purpose of the proposed transaction and as at the date of this report, the shareholding structure of the Target Group is as follows:



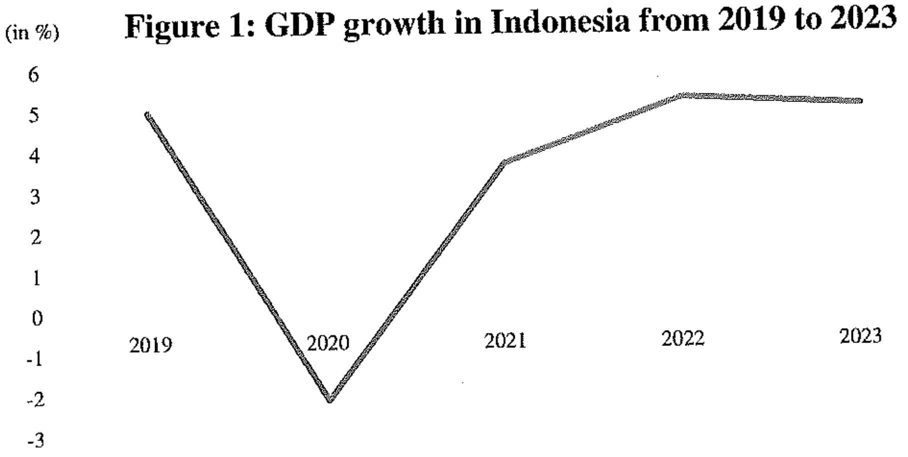
SDE mine is located in Kalimantan Province, Indonesia. The PT SDE underground coal mine project area is situated in the northern part of the Kotabaru Regency, South Kalimantan Province. SDE holds a mining permit (IUP-OP) that covers an area of approximately 185 square kilometers.

6. INDUSTRY OVERVIEW

The Economy of Indonesia

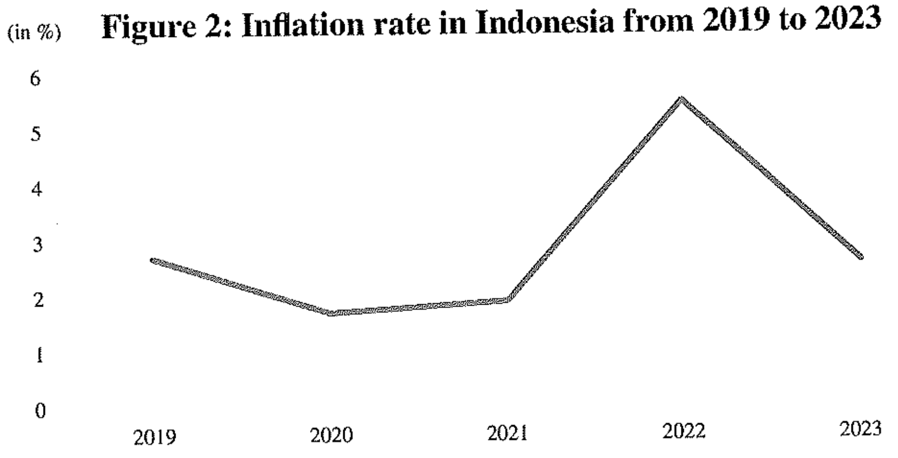
In Indonesia, the gross domestic product (GDP) continued to grow and reached IDR 20,892.4 trillion, up by 5.05% in 2023, which was lower than 2022, 5.31%. The GDP per capita reached IDR 75 million in 2023. The lower growth compared to 2022 was owing to the falling commodity prices hit exports and tight monetary policy dampened demand. However, it is higher than the consensus forecast of 5.03% in 2023 mainly owing to the 7.68% yoy (year on year) growth in construction sector and 4.07% yoy growth in the manufacturing industry. Furthermore, the yoy growth was also supported by other sectors as well, such as household consumption which contributed over half of the GDP in Indonesia, up by 4.82% yoy while transportation and warehousing, which recorded a yoy growth of 4.82% and 13.96% in 2023.

Figure 1: GDP growth in Indonesia from 2019 to 2023



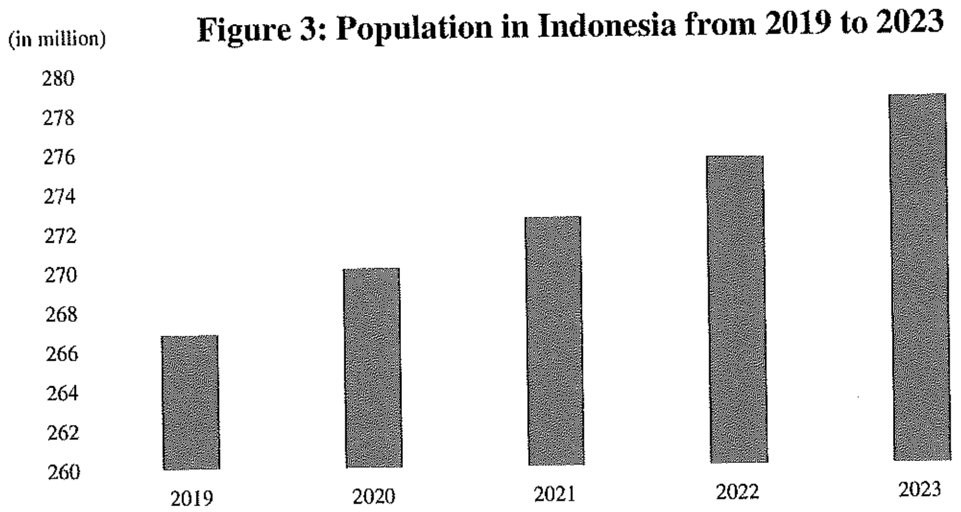
Source: Statistics Indonesia

According to Figure 2, the inflation rate in Indonesia fell from 4.21% yoy in 2022 to 2.61% yoy in 2023. In 2023, the inflation rate fell from 5.28% yoy in January 2023 to 2.61% yoy in December 2023, with the increase in all expenditure groups indices, such as food, beverages, and tobacco group of 6.2%; clothing and footwear group of 0.8%; housing, water, electricity and household fuel of 0.5%, etc. while the Consumer Price Index (CPI) rose from 113.98 in January 2023 to 116.56 in December 2023.



Source: Statistics Indonesia

According to Figure 3, the population of Indonesia in mid year of 2023 continued to grow and reached 278.7 million. The population of Indonesia increased from 266.9 million in 2019 and 275.8 million in 2022. In 2022, Jawa Barat, which is the province that has the largest population, reached 49 million people, or approximately 17.9% of the total population in Indonesia.



Source: Statistics Indonesia

Coal Market

According to International Energy Agency, the coal demand in 2022 increased 4% yoy and reached 8,415 million tonnes (Mt). The growth was mainly driven by the growth in countries, such as Mainland China and India. In 2022, Mainland China consumed 4,520 Mt and is the largest coal consumer which accounted for approximately 54% of the global coal consumption. Among the coal consumption in Mainland China, a major proportion of approximately 84% was thermal coal, totalled approximately 3,801 Mt and was predominantly used for power generation. In 2023, it is expected that the global coal demand will grow by 1.4%. The global coal demand is expected to continue moving eastwards, with Mainland China, India, and association of Southeast Asian Nations countries that consuming three-quarters of global demand.

The volume of coal trade has increased almost every year this century with very few exceptions. In 2020, the economic downturn driven by the Covid-19 pandemic triggered the second drop. Now, after a recovery in 2021 and 2022, global coal trade volumes are set to rise again in 2023, reaching record levels for seaborne. On the supply side, Indonesia once again proved to be the most flexible exporter and will export close to 500 Mt in 2023, a level that has never been reached by any country before.

According to MINERBA One Data (MODI) S&P Global Commodities, the coal production in Indonesia reached 775.2 Mt in 2023 up from 687 Mt in 2022, more than the target of 694 Mt set by the government earlier with the domestic demand higher than expected as power demand recovered from the pandemic impact. The output rose 12% yoy. Exports reached at 508 Mt in 2023, with the fourth quarter seeing the highest shipments at 143.50 Mt compared with the previous quarters due to the rising energy demand while supply of alternative energy sources was disrupted. Exports to China were at 215.7 Mt, followed by India at 108.40 Mt in 2023. Indonesian thermal coal supply remained unhindered in 2023.

7. SOURCE OF INFORMATION

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

The valuation required the consideration of all pertinent factors, including, but not limited to, the following:

- The nature of the Target Group including the overall market, industry sector and geographical location;
- The information in respect of the Target Group provided by the senior management of the Company;
- The Competent Person's Report in respect of the coal mine prepared by the Competent Person;
- The specific economic environment and competition for the market in which the Target Group currently operates or will operate; and

- Other factors that will materially affect the operation of the Target Group.

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, industry 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 Target Group;
- Obtained relevant financial and operational information in respect of the Target Group from the senior management of the Company;
- Examined the information in respect of the coal mine companies stated in the Competent Person's Report;
- Examined the basis and assumptions of the financial and operational information in respect of the Target 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 Target Group is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where the Target 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 Target 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 Target Group or similar products and/or services will not differ materially from those of present or expected;

- The products and/or services of the Target 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 Target Group or similar products and/or services; and

- The market data, industry 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 Target Group have been obtained or can be obtained upon request with an immaterial cost;

- The core operation of the Target Group will not differ materially from those of present or expected;

- The financial and operational information in respect of the Target Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Target Group;

- The information in respect of the Coal Mines stated in the Competent Person's Report have been prepared on a reasonable basis after due and careful considerations by the Competent Person;

- The Target 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 Target Group, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Group;

- The Target 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 Target Group will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Target Group;

- The senior management of the Target Group has sufficient knowledge and experience in respect of the operation of the Target Group, and the turnover of any director, management or key person will not affect the operation of the Target Group;

- The senior management of the Target 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 Target Group; and

- The senior management of the Target 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 Target 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; and (3) the cost 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 publicly-traded comparable 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 guideline transactions 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.

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 income approach was considered to be the most appropriate valuation approach in the valuation, as it takes the future growth potential and firm-specific issues of the Target Group into consideration. Under the income approach, the discounted cash flow ("**DCF**") method was adopted.

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 Target 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 Target Group with sufficient level of accuracy. Accordingly, the market approach was abandoned. The cost approach was also considered inappropriate as the replication cost of the Target Group may not represent the value of the Target Group.

Cash-flow Forecast

We have performed our valuation based on the financial forecast of the Target Group provided by the management of the Target Group (the "**Management**"). We discussed with the Management regarding the relevant assumptions. The cash flow forecast can be found in the Report.

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

- The sales growth and the production capacity were estimated based on the Target Group's competent person's report;
- The coal price of approximately RMB400 per tonnes, which was determined with reference to the historical selling price of coal sold by the Target Group, and the expected coal price growth at a rate of 1.3% per year, with reference to the inflation rate in the PRC;
- The operating expenses were estimated based on the Target Group's business plan and the growth rate was estimated with reference to the inflation rate in Indonesia;

- The level of capital expenditure and the mining life was estimated based on the Target Group's competent person's report with no terminal value assumed;

- The working capital was determined with reference to estimations based on the Target Group's business plan; and

- A mine life of 28 years has been assumed.

11. VALUATION METHODOLOGY

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:

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

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

Where:

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

The projected future financial performance of the Target Group for years with maximum and minimum free cash flow throughout the life of mine are as follows:

(RMB)	**Year with Maximum Free Cash Flow**	**Year with Minimum Free Cash Flow**
Revenue	7,542,712,950	862,473,215
Operating Expenses and Tax	4,817,605,813	631,223,324
Net Operating Profit After Tax	2,725,107,137	231,249,891
Depreciation and Amortisation	487,057,530	73,172,303
Investment in Capital Expenditure	124,667,491	17,248,934
Investment in Net Working Capital	(101,419,883)	285,911,075
Free Cash Flow	3,188,917,059	1,262,185

12. VALUATION PARAMETERS

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 Target Group (referred to as the "**Comparable Companies**").

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 principal activities of the Comparable Companies are located in Indonesia;
- The Comparable Companies are principally engaged in the coal operation business involving mining and the related operation;
- Shares of the Comparable Companies are listing in stock exchange in Indonesia and are being actively traded in a reasonable period of time; and
- Detailed financial and operational information in respect of the Comparable Companies are available at publicly available sources.

Selected Comparable Companies

Given the abovementioned selection criteria, the Comparable Companies were considered to be fair and representative samples. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	PT Atlas Resources Tbk
Stock Code	:	ARII IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Atlas Resources Tbk explores for and produces coal. It operates in East Kalimantan and South Sumatra in Indonesia, and Papua New Guinea.

Comparable Company 2

Name of Company	:	PT Golden Eagle Energy Tbk
Stock Code	:	SMMT IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Golden Eagle Energy Tbk is a coal mining company based in Indonesia.

Comparable Company 3

Name of Company	:	PT Alfa Energi Investama Tbk
Stock Code	:	FIRE IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Alfa Energi Investama Tbk offers mining services. It provides exploration, extraction, production and trading of coal, as well as develops coal fired power plant for electricity. It serves customers in Indonesia.

Comparable Company 4

Name of Company	:	Mitrabara Adiperdana Tbk Pt

Stock Code	:	MBAP IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	Mitrabara Adiperdana Tbk PT is a coal mining company based in Indonesia.

Comparable Company 5

Name of Company	:	PT Dwi Guna Laksana Tbk
Stock Code	:	DWGL IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Dwi Guna Laksana Tbk provides coal mining services. It mines and supplies coal, as well as owns and operates supporting logistic infrastructure operations. It serves customers in Indonesia.

Comparable Company 6

Name of Company	:	PT Resource Alam Indonesia Tbk
Stock Code	:	KKGI IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Resource Alam Indonesia Tbk is a coal mining company. It focuses on the exploration, production, transportation and supplies of Indonesian thermal coal.

Comparable Company 7

Name of Company	:	PT Adaro Energy Indonesia Tbk
Stock Code	:	ADRO IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Adaro Energy Indonesia Tbk is a coal mining company. It produces thermal coal product, envirocoal, a sub-bituminous coal with medium calorific value and ultra-low pollutant content. It operates in Indonesia.

Comparable Company 8

Name of Company	:	PT Bumi Resources Tbk
Stock Code	:	BUMI IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Bumi Resources Tbk operates in the exploration and exploitation of coal deposits, including coal mining and oil exploration activities. It offers its services to cement companies and power plants, as well as middle and large scale industrial companies that involve in chemical, mine and textile businesses.

Comparable Company 9

Name of Company	:	PT Bukit Asam Tbk
Stock Code	:	PTBA IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Bukit Asam Tbk provides coal mining services. It offers general surveying, exploration, exploitation, production, transportation and marketing of coal. It serves customers in Indonesia.

Comparable Company 10

Name of Company	:	Bayan Resources Tbk PT
Stock Code	:	BYAN IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	Bayan Resources Tbk PT is a coal producer. It extracts thermal coal from surface open cut mines.

Comparable Company 11

Name of Company	:	PT Harum Energy Tbk
Stock Code	:	HRUM IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Harum Energy Tbk mines thermal coal.

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

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 Government Bond of Indonesia 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 Target 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 Target Group was determined as the average 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:

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

The unlevered beta was calculated to consider the differences in corporate tax rates and leverage compositions of the Target 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 between various companies.

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 average 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 Target 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 Indonesia as at the date of valuation was computed using the market return of Indonesia and the risk-free rate of Indonesia.

Size Premium

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

Company-specific Risk Premium

By considering the additional risk associated with the operation of the Target 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 Target 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 Indonesia by the cost of debt.

Weight of Debt

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

Weight of Equity

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

In the valuation, the adopted rates of the above-mentioned valuation parameters are as follows:

	Valuation Parameter	As at 31 December 2023
a.	Risk-free Rate	6.45%
b.	Beta Coefficient	0.851
c.	Market Risk Premium	9.64%
d.	Size Premium	3.05%
e.	Company-specific Risk Premium	3.00%
f.	Cost of Equity	20.70%
g.	Cost of Debt	7.13%
h.	After-tax Cost of Debt	5.56%
i.	Weight of Debt	15.31%
j.	Weight of Equity	84.69%
k.	Discount Rate	18.38%

18.38% was adopted as the discount rate for the valuation of the Target Group as at the Valuation Date.

With 1% increase and decrease in the discount rate, the equity value of 40% interest in the Target Group will be approximately RMB2.8 billion and RMB3.1 billion respectively.

Discount for Lack of Marketability

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 Target Group is unlikely to undergo public offering and shares of the Target Group are unlikely to be 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. With reference to the research result of Stout Restricted Stock Study, published by Business Valuation Resources, LLC in 2022, 15.7% was adopted as the DLOM for the valuation.

13. STATEMENT OF INDEPENDENCE

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

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 Target Group or us.

Based on our analysis outlined in this report, it is our independent opinion that the total market value of the Target Group comprising of 40% equity interest in as at 31 December 2023 was **RMB2,970,000,000 (RENMINBI TWO BILLION NINE HUNDRED AND SEVENTY MILLION ONLY)**.

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, MIISE, MIET
Managing Director

Note:

Dr. Cheng has over 20 years' experience in valuing coal mines and related assets and facilities since 2003. He is a member of European Association of Geoscientists & Engineers (EAGE), a member of The Minerals, Metals & Materials Society (TMS) and a member of Society of Petroleum Engineers (SPE).

Furthermore, Dr. 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 Chartered Institute of Management Accountants (CIMA), Fellow member of Association of International Accountants, Fellow member of the Institute of Public Accountants.