Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

宏华集团
HONGHUA GROUP

HONGHUA GROUP LIMITED
宏華集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock code: 196)

DISCLOSEABLE TRANSACTION
DISPOSAL OF INTEREST IN THE TARGET COMPANY

DISPOSAL

On 16 October 2025, Honghua Holdings, a subsidiary of the Company, entered into the Honghua Holdings Agreement with Chengdu Jiaozi, while, on the same date, Sichuan Honghua, another subsidiary of the Company, also entered into the Sichuan Honghua Agreement with Chengdu Jiaozi. Pursuant to the agreements, each of Honghua Holdings and Sichuan Honghua agreed to sell to Chengdu Jiaozi, and Chengdu Jiaozi agreed to acquire, an aggregate of approximately 6.9152% equity interest in the Target Company at a total consideration of approximately RMB85,764,000.

As at the date of this announcement, the Group holds approximately 6.9152% equity interest in the Target Company. Upon completion of the Disposal, the Group will no longer hold any equity interest in the Target Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but is lower than 25%, the Disposal constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

A. DISPOSAL

On 16 October 2025, Honghua Holdings, a subsidiary of the Company, entered into the Honghua Holdings Agreement with Chengdu Jiaozi, while, on the same date, Sichuan Honghua, another subsidiary of the Company, also entered into the Sichuan Honghua Agreement with Chengdu Jiaozi. Pursuant to the agreements, each of Honghua Holdings and Sichuan Honghua agreed to sell to Chengdu Jiaozi, and Chengdu Jiaozi agreed to acquire, an aggregate of approximately 6.9152% equity interest in the Target Company at a total consideration of approximately RMB85,764,000. Principal terms of the Disposal are summarized below.

B. HONGHUA HOLDINGS AGREEMENT

Date

16 October 2025

Parties

1. Honghua Holdings (as the seller)

2. Chengdu Jiaozi (as the purchaser)

Subject Matter

Honghua Holdings agreed to sell to Chengdu Jiaozi, and Chengdu Jiaozi agreed to acquire approximately 0.25% equity interest in the Target Company, and such equity interest shall not have any encumbrance or any other rights or interests of third parties attached thereto.

Consideration

The consideration under the Honghua Holdings Agreement is RMB3,100,600.

The currency for the payment of the consideration is RMB, with the detailed payment arrangement as follows:

1. As Honghua Holdings is an overseas receiving account (Hong Kong), Chengdu Jiaozi shall withhold and pay the relevant taxes, and shall pay the consideration (net of tax) in a lump sum into the account designated by Honghua Holdings by telegraph transfer within seven working days of completing the withholding and payment of taxes and the relevant registration procedures with the government authorities.

2. Honghua Holdings shall procure the Target Company to register the change of basic information of foreign-invested enterprises, and to provide the required information in a timely manner in accordance with the bank and relevant requirements to complete the change registration. Honghua Holdings shall provide any cooperation as necessary.

3. Pursuant to enterprise income tax and relevant tax regulations, Chengdu Jiaozi, as the withholding obligor, shall declare to the competent tax authority for the withholding and payment of enterprise income tax and stamp duty on this transaction; Honghua Holdings, as the tax payment obligor, shall fulfill its tax obligations, undertake to provide information as required by the tax authority in a timely, truthful and complete manner, and actively cooperate with Chengdu Jiaozi to complete the withholding and payment obligations.

Completion

The Target Company shall be responsible for obtaining all regulatory approvals and completing the procedures for the change in business registration required and Chengdu Jiaozi shall actively and unconditionally cooperate with it. The completion of the equity transfer shall be completed within six months upon effect of the Honghua Holdings Agreement. In the event of any force majeure or objectively insurmountable difficulties, the parties may mutually agree on another time to complete the equity transfer procedures, and the completion date shall be separately negotiated and determined by the parties.

All parties unanimously authorize the Target Company to handle the application and approval and the procedures for the change in business registration for the equity transfer. Chengdu Jiaozi shall fully cooperate, including but not limited, preparing application materials and materials for filing for the change in business registration and submitting them for approval. All legal documents pertaining to the filing of the corresponding change registration of the Target Company shall be reviewed and confirmed in advance by both Honghua Holdings and Chengdu Jiaozi.

The completion date of the disposal of the equity interest refers to the date on which the approximately 0.25% equity interest in the Target Company held by Honghua Holdings has completed the change in business registration under the name of Chengdu Jiaozi, and the Target Company has completed relevant procedures for the change in business registration as set out in the Honghua Holdings Agreement.

Taking Effect

The Honghua Holdings Agreement shall take effect, i.e., as of the date of this announcement, upon signature by the legal representatives or authorized representatives of both parties and affixation of their official seals.

C. SICHUAN HONGHUA AGREEMENT

Date

16 October 2025

Parties

1. Sichuan Honghua (as the seller)

2. Chengdu Jiaozi (as the purchaser)

Subject Matter

Sichuan Honghua agreed to sell to Chengdu Jiaozi, and Chengdu Jiaozi agreed to acquire, approximately 6.6652% equity interest in the Target Company, and such equity interest shall not have any encumbrance or any other rights or interests of third parties attached thereto.

Consideration

The consideration under the Sichuan Honghua Agreement is RMB82,663,400.

The currency for the payment of the consideration is RMB, with the detailed payment arrangement as follows:

1. As Sichuan Honghua is a domestic company, Chengdu Jiaozi is not obliged to withhold and pay the taxes.

2. As at the date of this announcement, the transaction deposit already paid by Chengdu Jiaozi to the Assets and Equity Exchange (i.e. RMB25,000,000) shall be applied as part of the consideration. Upon the Sichuan Honghua Agreement coming into effect, Chengdu Jiaozi shall pay the remaining consideration for the transaction in a lump sum to the account designated by the Assets and Equity Exchange within five working days. After completion of the relevant registration procedures with the government authorities by the Target Company, both parties shall jointly issue a payment instruction to the Assets and Equity Exchange, which shall then pay the consideration under the Agreement (i.e. RMB82,663,400) to the account designated by Sichuan Honghua.

3. All taxes and fees arising from the transaction and transfer (including all related fees of the Assets and Equity Exchange) shall be borne respectively by Chengdu Jiaozi and Sichuan Honghua in accordance with the relevant regulations.

Completion

The Target Company shall be responsible for obtaining all regulatory approvals and completing procedures for the change in business registration required and Chengdu Jiaozi shall actively and unconditionally cooperate with it. The completion of the equity transfer shall be completed within six months upon the Sichuan Honghua Agreement coming into effect. In the event of any force majeure or objectively insurmountable difficulties, the parties may mutually agree on another time to complete such approvals and procedures, and the completion date shall be separately negotiated and determined by the parties.

All parties unanimously authorize the Target Company to handle the application and approval and the procedures for the change in business registration for the equity transfer. Chengdu Jiaozi shall fully cooperate to, including but not limited to, preparing materials for application and approval and materials for filing for the change in business registration, and submitting them for approval. All legal documents pertaining to the filing of the corresponding change registration of the Target Company shall be reviewed and confirmed in advance by both Sichuan Honghua and Chengdu Jiaozi.

The completion date of disposal of the equity interest refers to the date on which the approximately 6.6652% equity interest in the Target Company held by Sichuan Honghua has completed the change in business registration under the name of Chengdu Jiaozi, and the Target Company has completed relevant procedures for the change in business registration as set out in the Sichuan Honghua Agreement.

Taking Effect

The Sichuan Honghua Agreement shall take effect, i.e., as of the date of this announcement, upon signature by the legal representatives or authorized representatives of both parties and affixation of their official seals.

D. BASIS FOR DETERMINATION OF CONSIDERATION

The Disposal were conducted by way of public listing on the Assets and Equity Exchange, involving an aggregate of 6.9152% equity interest in the Target Company held by Honghua Holdings and Sichuan Honghua (of which Sichuan Honghua held as to 6.6652% and Honghua Holdings held as to 0.25%). The reserve prices were for the public listing as follows:

(a) 6.6652% equity interest held by Sichuan Honghua: RMB82.6634 million; and

(b) 0.25% equity interest held by Honghua Holdings: RMB3.1006 million.

The considerations under the Honghua Holdings Agreement and Sichuan Honghua Agreement were determined with reference to the following factors:

(a) the market value of the Target Company's equity as at 31 December 2023 (the "**Appraisal Benchmark Date**") estimated using the market approach in the valuation report prepared by Pan-China Appraisal (a qualified independent valuer in China), which was approximately RMB95,282,700;

(b) Honghua Holdings and Sichuan Honghua were officially listed on the Assets and Equity Exchange on 12 November 2024, for the public transfer of an aggregate of 6.9152% equity interest in the Target Company, at a listing transfer price of RMB95,282,700. As at the end of July 2025, there were no prospective investors. To facilitate the transaction, the Company decided to reduce the listing price to RMB85,764,000 on 12 August 2025 and continue the public listing.

(c) the benefits to the Group upon completion of the Disposal, as set out in the paragraphs headed "Reasons for and Benefits of the Disposal" below in this announcement.

In view of the absence of prospective investors applying for the transfer during the period of public listing, and to facilitate the transaction, the Board considers it prudent and reasonable to adjust the listing price to RMB85.764 million, representing a discount of approximately RMB9.5187 million (with the discount rate being approximately 10%), which aligns with market principles. Although the listing price is lower than the Target Equity's appraised value (amounting to RMB95.2827 million), it is still approximately RMB4.3906 million higher as compared to the Company's initial investment of RMB81.3734 million. Also, as of the date of this announcement, the Company has cumulatively received dividends from the Target Company amounting to RMB20.6415 million. Accordingly, the Board considers that, taking into account the initial investment and accumulated dividends, the total consideration for the Disposal still ensures an overall investment return. The total consideration remains fair and reasonable, and is in the interests of the Company and its shareholders as a whole.

The Board considers that the Disposal has been decided with a thorough understanding and upon prudent assessment of its impact on the Company's overall interests and financial position, and that, having comprehensively taken into account the market reaction, investment returns, and the use of proceeds from the Disposal, the total consideration is fair and reasonable and in the interests of the Company and all its shareholders.

E. REASONS FOR AND BENEFITS OF THE DISPOSAL

In accordance with the Group's strategic development planning, the Group will continue to advance the optimization of its asset structure, maintaining its focus on the principal businesses while divesting non-core and non-competitive enterprises in order to further enhance the efficiency

of its resource allocation. The Disposal will be supportive to the Company in implementing the management requirements of the State-owned Assets Supervision and Administration Commission regarding central enterprises holding equity interest in financial enterprises, promote the orderly divestment of assets in non-core businesses, minimize the risks of non-core financial businesses and further optimize the shareholding structure and capital allocation of the Group. Transferring the relevant equity interests through public listing will realise its assets, increase liquidity, improve the asset-to-liability structure, and reduce financial costs, thereby supporting the Group to focus on its core responsibilities and principal business, advance its transformation and upgrading, as well as achieve high-quality development. The Board believes that the Disposal is in the interests of the Company and all of its shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Honghua Holdings Agreement and the Sichuan Honghua Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the shareholders as a whole.

F. FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company is a company established with limited liability on 22 June 2010. As at the date of this announcement, its registered capital is RMB1,000,000,000 and the company is principally engaged in financial leasing and relevant leasing businesses. As at the date of this announcement, the shareholding structure of the Target Company is as follows: 81.6568% held by Chengdu Jiaozi, 6.6652% held by Sichuan Honghua, 6.4287% held by Sichuan Province Huali Investment Group Co., Ltd.* (四川省華立投資集團有限責任公司), 4.9994% held by Sichuan Dadi Industrial Group Co., Ltd.* (四川大地實業集團有限公司), and 0.25% held by Honghua Holdings, among which, Sichuan Province Huali Investment Group Co., Ltd. is principally engaged in business services and business of wholesale and retail of goods, while Sichuan Dadi Industrial Group Co., Ltd. is principally engaged in wholesale and retail of goods, vocational skills training, business services and computer services.

For the two years ended 31 December 2023 and 2024, the audited financial information of the Target Company is as follows:

	Year ended 31 December 2023 *(RMB)*	**Year ended 31 December 2024** *(RMB)*
Total assets	7,537,002,575.79	7,039,132,266.73
Total income	476,128,658.02	491,878,916.14
Profit before tax	73,592,792.85	75,641,190.63
Net profit after tax	62,125,437.26	66,930,443.59

G. FINANCIAL IMPACTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon completion of the Disposal, the Group will no longer hold any equity interest in the Target Company.

The shares of Chengdu Jinkong held by the Group is classified as a Financial assets at fair value through other comprehensive income in the consolidated financial statements of the Group. According to IFRS accounting standards, the difference between the disposal price and the carrying amount of Financial assets at fair value through other comprehensive income is directly included in the retained earnings upon derecognition of such financial assets. The Disposal is expected to reduce owners' equity by approximately RMB9.5653 million, representing the difference between the carrying amount of RMB95.3293 million as at 31 December 2024 and the total consideration of RMB85,764,000. The proceeds from the Disposal represent an increase of approximately RMB4.3906 million as compared to the initial investment cost. Shareholders are advised that the financial impacts set out above are for reference only, and the actual gain or loss arising from the Disposal will ultimately be recognised in the Group's consolidated financial statements.

The Company intends to use the proceeds from the Disposal as general working capital for the Group.

H. INFORMATION ON PARTIES

The Group principally engages in research, design, manufacture, setting and sale of land rigs and related parts and components, design and manufacture of the offshore drilling module. Meanwhile it also provides clients with technical support services and drilling engineering services.

Honghua Holdings is a company incorporated in the PRC with limited liability. It is a wholly-owned subsidiary of the Company and is an investment holding company.

Sichuan Honghua is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company. The company is principally engaged in the research and development, production, and sales of specialized petroleum drilling and production equipment and machinery; the manufacturing and processing of metal materials and metal structures; the research and development and sales of new energy and environmental protection equipment; the research and development and application of intelligent equipment and Internet of Things devices; as well as related technical services and engineering management business, etc.

Chengdu Jiaozi is a joint stock company incorporated in the PRC. It is principally engaged in investing in financial and non-financial institutions, venture capital, capital management, consultation on investment and social economy and other businesses. Chengdu Jiaozi is a wholly-owned subsidiary of Chengdu Jiaozi Financial Holding Group Co., Ltd. Chengdu Jiaozi Financial Holding Group Co., Ltd. is held by the Chengdu State-owned Assets Supervision and Administration Commission as to 92% and the Sichuan Provincial Finance Department as to 8%. The company is principally engaged in investing in financial and non-financial institutions, capital management, venture capital, asset management, consultation on investment and social economy, financial research and innovation and other businesses.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save for Honghua Holdings and Sichuan Honghua as the sellers for the Disposal, each of Chengdu Jiaozi, the Target Company and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

I. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but is lower than 25%, the Disposal constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

J. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

"Assets and Equity Exchange"	Chongqing United Assets and Equity Exchange (重慶聯合產權交易所)
"Board"	the board of directors of the Company
"Chengdu Jiaozi"	Chengdu Jiaozi Emerging Financial Investment Group Co., Ltd.* (成都交子新興金融投資集團股份有限公司)
"Company"	Honghua Group Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Stock Exchange (Stock Code: 196)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Director(s)"	the director(s) of the Company
"Disposal"	The transaction in which Honghua Holdings and Sichuan Honghua dispose of to Chengdu Jiaozi an aggregate of 6.9152% equity interest in the Target Company, of which Sichuan Honghua holds 6.6652% and Honghua Holdings holds 0.25%
"Group"	the Company and its subsidiaries from time to time
"Honghua Holdings"	Honghua Holdings Limited (宏華控股有限公司)
"Honghua Holdings Agreement"	The equity transfer agreement entered into between Honghua Holdings and Chengdu Jiaozi on 16 October 2025, under which terms and conditions of the disposal of 0.25% equity interest in the Target Company by Honghua Holdings to Chengdu Jiaozi and the associated rights and obligations were set forth
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi, the lawful currency of the PRC
"Sichuan Honghua"	Sichuan Honghua Petroleum Equipment Co., Ltd. (四川宏華石油設備有限公司)
"Sichuan Honghua Agreement"	The equity transfer agreement entered into between Sichuan Honghua and Chengdu Jiaozi on 16 October 2025, under which terms and conditions of the disposal of 6.6652% equity interest in the Target Company by Sichuan Honghua to Chengdu Jiaozi and the associated rights and obligations were set forth
"Target Company"	Chengdu Jinkong Financial Leasing Co., Ltd. (成都金控融資租賃有限公司)

"Target Equity"	the aggregate 6.9152% equity interest in the Target Company held by Honghua Holdings and Sichuan Honghua, of which Sichuan Honghua holds 6.6652% and Honghua Holdings holds 0.25%
"Valuer" or "Pan-China Appraisal"	Beijing Pan-China Assets Appraisal Co., Ltd.* (北京天健興業資產評估有限公司)

By order of the Board
Honghua Group Limited
Wang Xu
Chairman

The PRC, 16 October 2025

As at the date of this announcement, the executive Directors of the Company are Mr. Wang Xu (Chairman), Mr. Zhu Hua and Mr. Yang Qiang; the non-executive Director of the Company is Mr. Yang Yangzhuang; and the independent non-executive Directors of the Company are Mr. Zhang Shiju, Ms. Li Yuedong and Mr. Wang Junren.

SELECTION OF VALUATION APPROACHES

In order to determine the market value of the Target Equity, the independent Valuer considered the statement analysis method and the market approach for the appraisal. The final valuation approach is the market approach, and its reasons for the selection are set out below:

(1) The Group, with an aggregate shareholding of 6.9152% in the Target Company, has neither control nor significant influence over the Target Company, and it is difficult to obtain full cooperation from the Target Company. The equity-holding entity can only provide basic financial information of the Target Company and is not in a position to conduct a valuation of the assets of the Target Company as a whole. (2) The financial statements of the Target Company as at the Appraisal Benchmark Date have been audited by Sichuan Dewei CPA Co., Ltd., which has issued a standard unqualified audit report, Chuan De Shen Zi [2024] No. 074, and the certified public accountants were of the opinion that "the financial statements appended to the audit report have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises in all material respects and fairly reflect the financial position of the Target Company as at 31 December 2023 and its operating results and cash flows for the year 2023".

INTRODUCTION OF SPECIFIC VALUATION APPROACHES

1. Statement analysis method

The statement analysis method is a simplified version of the asset-based approach. The statement analysis method uses the balance sheet of the investee as at the Appraisal Benchmark Date as the basis for a reasonable assessment of the value of the on-balance-sheet and off-balance-sheet assets and liabilities of the enterprise, and determines the value of the valuation subject.

(1) Appraisal procedures

① To obtain the balance sheet of the investee;

② To determine the on-balance sheet assets and liabilities that need to be revalued, analyze and understand the on-balance sheet assets and liabilities of the valuation subject, and determine whether a revaluation is necessary;

③ To identify off-balance sheet assets and off-balance sheet contingent liabilities. For units where there are unresolved economic litigations, disputes over income tax or environmental governance requirements, the impact of contingent liabilities on the operating risks of the enterprise needs to be assessed;

④ The equity value is obtained by multiplying the asset and liability data after reassessment by the shareholding percentage.

(2) Calculation formula

Appraised value of the equity = (assets after reassessment – liabilities after reassessment) x shareholding percentage

2. Market Approach

(1) Definition of market approach

The market approach to enterprise value appraisal refers to the appraisal method of determining the value of the valuation subject by comparing it with comparable listed companies or comparable transaction cases. The market approach is based on the principle of substitution, i.e. an appraisal idea of estimating the overall value of the enterprise under appraisal by utilizing the value indicators of comparable listed companies or equity transaction cases of comparable companies, through comparison and analysis between the investee and the reference enterprise, as well as necessary adjustments. Two specific methods commonly used in the market approach are the listed company comparison method and the transaction case comparison method. As the size of the financial leasing companies listed on the A-share market is currently much larger than the investee, they are not comparable and therefore the listed company comparison method is not applicable. In recent years, the transaction cases of equity transfer of financial leasing companies have been more active in the M&A market, and the specific conditions and relevant indicators affecting the transaction price can be obtained through the annual reports or announcements of the companies, which is sufficient to analyze the transaction price.

In view of the above analysis, the transaction case comparison method has been selected as the specific method for this valuation by the market approach.

(2) Preconditions for application of the market approach

① There must be a fully developed and active capital market;

② The existence of identical or similar references;

③ The factors affecting the value of the reference and the valuation subject are clear and quantifiable, and relevant information can be collected;

④ The reference enterprise and the investee are the same or close in terms of operating indicators and asset performance.

(3) Models of the estimated values

The basic steps of the transaction case comparison method are as follows:

① Analyzing the basic situation of the investee. It mainly includes enterprise type, business structure and market distribution, operating model, scale, stage of operation, growth, operational risk, financial risk, etc.

② Identifying comparable transaction cases. The comparison and screening mainly take into account the transaction time, the scale of the target enterprise, allocation and usage of assets, stage of operation, growth, operational risk, financial risk, etc.

③ Analyzing and comparing the main operating indicators of the investee and comparable enterprises. It mainly includes profitability, asset scale, operating capability, risk management capability, etc.

④ Selecting appropriate value multipliers for comparable enterprises and adopting appropriate approaches to revise and adjust them so as to estimate the value multipliers of the investee.

⑤ Determining the value of the partial shareholders' equity of the investee based on the value multipliers of the investee.

VALUATION ASSUMPTIONS

(i) General assumptions

1. Transaction assumptions: It is assumed that all the assets to be appraised are in the course of transaction and the Valuer carries out the valuation by benchmarking to simulated market based on the conditions for transaction of the assets to be appraised.

2. Open market assumption: An open market assumption is an assumption made on the conditions of the market where the assets are proposed to enter and how the assets will be affected under such market conditions. An open market, which has been fully developed with comprehensive market conditions, refers to a competitive market with willing buyers and sellers acting voluntarily and rationally on arm's length basis, having sufficient opportunities and time to obtain market information and under no compulsion or restrictions to buy or sell.

3. Assumption of continuous use: The assumption of continuous use is an assumption made on the conditions of the market where the assets are proposed to enter and the state of the assets under such market conditions. It is first assumed that the assets to be appraised are in use, and it is further assumed that the assets that are in use will be used continuously. Under the assumption of continuous use, neither the conversion of the use of the assets nor the utilization of the assets under the best condition is taken into account. Thus, the valuation results are subject to a restricted scope of applicability.

4. Assumption of going concern of an enterprise: The assumption of going concern is a valuation assumption made for considering the assets of an enterprise as a whole as the subject of appraisal. That is, the enterprise, as a business entity, shall continue to operate in accordance with its business objectives under the external environment in which it operates. The operator of the enterprise is responsible and capable of assuming responsibilities, and the enterprise operates legally and is able to make appropriate profits to maintain its ability to continue as a going concern.

(ii) Special assumptions

1. There are no material changes in the existing relevant laws, regulations and policies in the countries where the appraised company is located, or in the national macroeconomic conditions. There are no material changes in the political, economic and social environment of the regions where the parties to this transaction are located. There are no other unpredictable or force majeure factors that may have a material adverse impact on the enterprise.

2. It is assumed that the enterprise will continue as a going concern in view of the actual condition of the assets as at the Appraisal Benchmark Date.

3. It is assumed that the operator of the enterprise is responsible and the management of the enterprise is capable of performing its duties.

4. Unless otherwise stated, it is assumed that the enterprise fully complies with all relevant laws and regulations.

5. It is assumed that the accounting policies to be adopted by the enterprise in the future are substantially the same in material respects as those adopted in the preparation of this report.

6. It is assumed that the scope and manner of operation and the structure of asset allocation of the enterprise are consistent with the current direction on the basis of the existing management style and standard of management.

7. There are no significant changes in interest rates, exchange rates, tax bases and rates, and policy levies.

8. There are no other force majeure and unforeseeable factors that may have a material adverse effect on the enterprise.

VALUATION INPUTS

Valuation technique description of market approach

(I) Definition, premises and reasons for selection of market approach

(1) Definition of market approach

The market approach in the valuation of enterprise value refers to the valuation method that compares the valuation subject with comparable listed companies or comparable transaction cases to determine the value of the valuation subject.

The two specific methods commonly used in the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method refers to the specific method of obtaining and analyzing the operational and financial data of comparable listed companies, calculating appropriate value ratios and determining the value of the valuation subject on the basis of comparative analysis with the investee.

The transaction case comparison method refers to the specific method of obtaining and analyzing information on transactions, acquisitions and mergers of comparable enterprises, calculating appropriate value ratios and determining the value of the valuation subject on the basis of comparative analyses with the investee.

(2) Application premises of market approach

When selecting and using the market approach, the asset valuer should pay attention to the following four preconditions:

1. There is a fully developed and active capital market;

2. There are enough comparable listed companies that are the identical or similar to the valuation subject in the above capital market, or there are enough transaction cases in the capital market;

3. The market information, financial information and other relevant information in respect of the comparable listed companies or transaction cases can be collected and obtained;

4. It can be ascertained that the information based on the data is representative and reasonable, and is valid on the Appraisal Benchmark Date.

(3) Reasons for selection of market approach

The appraisers conducted relevant due diligence, management interviews and market research on the investees, and after comprehensive analysis, this appraisal report selected the transaction case comparison method, and the main reasons for selection are as follows:

As in recent years, the transaction cases of equity transfer of financial leasing companies have been more active in the M&A market, and the specific conditions and relevant indicators affecting the transaction price can be obtained through the annual reports or announcements of the companies, which is sufficient to analyze the transaction price. The size of the financial leasing companies listed on the A-share market is currently much larger than the investee, they are not comparable and therefore the listed company comparison method is not applicable.

In view of the above analysis, the transaction case comparison method has been adopted as the more appropriate method for this valuation.

(II) Appraisal model for market approach

As financial leasing companies fall into the category under the capital-constrained industry, the model of a P/B ratio is used for this calculation. The specific formula for the market approach appraisal is:

Equity value = Net assets of the investee × adjusted price-to-book ratio (P/B) × percentage of shareholding

whereby:

Adjusted price-to-book ratio (P/B) = average of the adjusted P/B of comparable companies

Adjusted P/B of comparable companies = P/B of comparable companies * P/B adjustment coefficient of comparable companies

P/B adjustment coefficient of comparable companies = Σ (adjustment coefficient of influence factor Ai * weight)

Adjustment coefficient of influence factor Ai = coefficient of the subject companies/coefficient of comparable companies

(III) Selection of comparable transaction cases

The transaction data of minority equity in financial leasing companies within the three years prior to the Appraisal Benchmark Date is collected in this valuation. The detailed situation is as follows:

No.	Name of transaction case	Transaction consideration *(RMB0'000)*	PB	Transaction time
1	6% equity transaction of Zhongtai (Xiamen) Financial Leasing Co., Ltd	591.00	1.03	2024/7/23
2	0.80% equity of Anhui Derun Financial Leasing Co., Ltd.* (安徽德潤融資租賃股份有限公司)	877.93	0.92	2024/3/22
3	10% equity of Wuxi Jintou Guotai Financial Leasing Co., Ltd.* (無錫金投國泰融資租賃有限公司)	2,180.51	1.00	2023/3/8
4	2.3333% equity transfer of Jiangxi Jinkong Financial Leasing Co., Ltd.* (江西省金控融資租賃股份有限公司)	8,666.99	1.04	2022/11/29
5	9.5% equity of Shenzhen Shen International Financial Leasing Co., Ltd.* (深圳市深國際融資租賃有限公司)	2,963.43	1.00	2021/9/30
6	2.69% equity of Anhui Derun Financial Leasing Co., Ltd.* (安徽德潤融資租賃股份有限公司)	3,290.63	0.83	2021/8/24
7	Equity transaction of Rongshihua Financial Leasing Co., Ltd.* (融世華融資租賃有限公司)	1,641.53	3.09	2021/7/22
8	8.54% equity transaction of Chongqing Stone Tan Financial Leasing Co., Ltd.* (重慶談石融資租賃有限公司)	2,068.82	1.42	2021/5/6

* *For identification purposes only*

VALUATION RESULTS

(I) Conclusion of valuation by the statement analysis method

As assessed by the statement analysis method, as at 31 December 2023 (i.e., the Appraisal Benchmark Date), 6.6652% equity interest in Chengdu Jinkong Financial Leasing Co., Ltd. held by Sichuan Honghua Petroleum Equipment Co., Ltd. was valued at RMB85,035,200 (in word: RMB EIGHTY-FIVE MILLION THIRTY-FIVE THOUSAND AND TWO HUNDRED), representing an appraised appreciation of RMB1,720,200 and an appreciation rate of 2.06%. 0.2500% equity interest in Chengdu Jinkong Financial Leasing Co., Ltd. held by Honghua Holdings Limited was valued at RMB3,189,500 (in word: RMB THREE MILLION ONE HUNDRED EIGHTY-NINE THOUSAND AND FIVE HUNDRED), representing an appraised appreciation of RMB64,500 and an appreciation rate of 2.06%. The details are set out below:

Amount in RMB0'000

Unit of ownership	Percentage of shareholding	Carrying value	Appraised value	Appreciation	Appreciation rate
Sichuan Honghua Petroleum Equipment Co., Ltd.	6.6652%	8,331.50	8,503.52	172.02	2.06%
Honghua Holdings Limited	0.2500%	312.50	318.95	6.45	2.06%

(II) Conclusion of valuation by the market approach

As assessed by the market approach, as at 31 December 2023 (i.e., the Appraisal Benchmark Date), 6.6652% equity interest in Chengdu Jinkong Financial Leasing Co., Ltd. held by Sichuan Honghua Petroleum Equipment Co., Ltd. was valued at RMB91,838,000 (in word: RMB NINETY-ONE MILLION EIGHT HUNDRED AND THIRTY-EIGHT THOUSAND), representing an appraised appreciation of RMB8,523,000 and an appreciation rate of 10.23%. 0.2500% equity interest in Chengdu Jinkong Financial Leasing Co., Ltd. held by Honghua Holdings Limited was valued at RMB3,444,700 (in word: RMB THREE MILLION FOUR HUNDRED FORTY-FOUR THOUSAND AND SEVEN HUNDRED), representing an appraised appreciation of RMB319,700 and an appreciation rate of 10.23%. The details are set out below:

Amount in RMB0'000

Unit of ownership	Percentage of shareholding	Carrying value	Appraised Value	Appreciation	Appreciation Rate
Sichuan Honghua Petroleum Equipment Co., Ltd.	6.6652%	8,331.50	9,183.80	852.30	10.23%
Honghua Holdings Limited	0.2500%	312.50	344.47	31.97	10.23%

(III) Comprehensive analysis of the valuations

Upon comparison of the valuation results by the market approach and the statement analysis method, the difference between the appraised value under the statement analysis method and the market approach was RMB7,058,000, representing a difference rate of 8.00%.

The statement analysis method is a simplified asset-based method, which arrives at the appraised value as calculated based on the book assets and liabilities of the investee as at the Appraisal Benchmark Date, and cannot reflect the value possessed by the investee as an organic whole, while the market approach assesses the current fair market value of the valuation subject by using references in the actual market. The market approach is characterized by a direct valuation perspective and valuation approach, an intuitive valuation process, valuation information obtained directly from the market, and highly persuasive valuation results. In this valuation by the market approach, the information on the comparable cases is complete. Under the fair and equitable market transactions, the market approach can reflect the value of the valuation subject in a more direct manner than the statement analysis method.

After the comparative analysis, it is considered that the valuation conclusion of the market approach can reflect the intrinsic value of the valuation subject more comprehensively and reasonably, and the valuation results by the market approach have been adopted as the final valuation conclusion of this valuation.

Neither the discount resulted from factors such as minority equity nor the impact of liquidity on the value of the valuation subject are considered in this valuation report.