THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hing Yip Holdings Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected, for transmission to the purchaser(s) or the transferee(s).

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HING YIP HOLDINGS LIMITED
興業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00132)

MAJOR TRANSACTION
DISPOSAL OF 31% EQUITY INTEREST IN GUANGDONG NANHONG CIVIL EXPLOSIVES CO., LTD.

A letter from the Board is set out on pages 3 to 11 of this circular.

The transactions being the subject matter of this circular have been approved by written shareholders' approval pursuant to the Listing Rules and this circular is being published to the Shareholders for information only.

28 November 2025

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In this circular, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:–

"Board"	the board of Directors of the Company
"business day(s)"	any day(s) other than Saturday(s), Sunday(s) and statutory holiday(s) of the PRC
"Company"	Hing Yip Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00132)
"Consideration"	the consideration for the Disposal payable by Hongda Explosive under the Equity Transaction Agreement
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of 31% equity interest of the Target Company by Tiannuo Investments to Hongda Explosive in accordance with the Equity Transaction Agreement
"Equity Transaction Agreement"	the equity transaction agreement entered into between Tiannuo Investments and Hongda Explosive dated 30 September 2025 in respect of the Disposal
"Group"	the Company and its subsidiaries
"Guangdong Equity Exchange"	Guangdong United Assets and Equity Exchange (廣東聯合產權交易中心), an exchange platform for the trading of assets and equities in the PRC
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hongda Explosive"	Hongda Civil Explosive Group Co., Ltd.* (宏大民爆集團有限公司), a company incorporated in the PRC with limited liability, which is wholly owned by Guangdong Hongda Holdings Group Co., Ltd.* (廣東宏大控股集團股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002683), and an Independent Third Party

"Independent Third Party(ies)"	(an) independent third party(ies) not connected with the Group and any Director, chief executive or substantial shareholder of the Group or any of its subsidiaries or their respective associate of any of them as defined in the Listing Rules
"Independent Valuer"	Guangdong Mingliang Land and Real Estate Assets Appraisal Co., Ltd.*(廣東銘亮土地房地產資產評估有限公司), an independent professional valuer who possesses the requisite qualifications for conducting the valuation for the Target Company, and recorded by the Department of Finance of Guangdong Province
"Latest Practicable Date"	28 November 2025, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC" or "China"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.10 each of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Guangdong Nanhong Civil Explosives Co., Ltd.*(廣東南虹民爆有限公司), a company incorporated in the PRC with limited liability
"Tiannuo Investments"	Guangdong Tiannuo Investments Co., Ltd.*(廣東天諾投資有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
"%"	per cent

* *For identification purpose only*

HING YIP HOLDINGS LIMITED
興業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00132)

Executive Directors:
He Xiangming *(Chairman)*
Fu Weiqiang *(President)*

Non-executive Director:
Liu Jiali

Independent Non-executive Directors:
Chan Kwok Wai
Peng Xinyu
Lin Junxian

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

28 November 2025

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
DISPOSAL OF 31% EQUITY INTEREST IN GUANGDONG NANHONG CIVIL EXPLOSIVES CO., LTD.

INTRODUCTION

Reference is made to the announcement of the Company dated 30 September 2025 whereby Tiannuo Investments and Hongda Explosive entered into the Equity Transaction Agreement, pursuant to which Tiannuo Investments has agreed to sell and Hongda Explosive has agreed to acquire 31% of the equity interest in the Target Company at a consideration of RMB105,932,363 (equivalent to approximately HK$115,784,000).

The purpose of this circular is to provide you with, among other things, further information on the Disposal and other information as required under the Listing Rules.

THE DISPOSAL

On 30 September 2025, Tiannuo Investments and Hongda Explosive entered into the Equity Transaction Agreement, pursuant to which Tiannuo Investments has agreed to sell and Hongda Explosive has agreed to acquire 31% of the equity interest in the Target Company at a consideration of RMB105,932,363 (equivalent to approximately HK$115,784,000).

The transaction was arranged through a public tender process (listing-for-sale)(公開掛牌) conducted on Guangdong Equity Exchange, which is an open exchange platform for the trading of assets and equities in the PRC.

EQUITY TRANSACTION AGREEMENT

The principal terms of the Equity Transaction Agreement are as follows:

Date

30 September 2025

Parties

(1) Tiannuo Investments, a subsidiary of the Company, as the vendor; and

(2) Hongda Explosive, as the purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Hongda Explosive and its ultimate beneficial owner are Independent Third Parties.

Subject matter

Tiannuo Investments has agreed to sell and Hongda Explosive has agreed to acquire 31% of the equity interest in the Target Company.

Consideration

The Consideration of the Disposal is RMB105,932,363 (equivalent to approximately HK$115,784,000) (inclusive of the transaction deposit already paid to Guangdong Equity Exchange), which was the effective bid price determined in accordance with the rules and procedures of Guangdong Equity Exchange in relation to the Disposal. The Consideration was determined with reference to (a) the appraised value (i.e. RMB341,717,300 (equivalent to approximately HK$373,497,000)) of the entire shareholders' equity of the Target Company as at 28 February 2025 (the "**Valuation Date**") set out in the asset valuation report (the "**Valuation Report**") prepared by the Independent Valuer using discounted cash flow method of income approach (the "**Valuation**"); and (b) the percentage of equity interests to be disposed of by Tiannuo Investments under the Equity Transaction Agreement.

Payment of the Consideration

Hongda Explosive has paid a transaction deposit in the amount of RMB30,000,000 (equivalent to approximately HK$32,790,000) to Guangdong Equity Exchange upon its submission of bid in accordance with the applicable rules and procedures of Guangdong Equity Exchange.

Pursuant to the Equity Transaction Agreement, Hongda Explosive shall pay the Consideration (exclusive of the transaction deposit already paid to Guangdong Equity Exchange) to Guangdong Equity Exchange within 5 business days from the effective date (i.e. the signing date) of the Equity Transaction Agreement. After receiving the Consideration and other service charges in full, Guangdong Equity Exchange will issue a transaction confirmation and transfer the amount of the Consideration to Tiannuo Investments without interest within 3 business days. As at the date of this circular, Guangdong Equity Exchange has transferred the amount of the Consideration to Tiannuo Investments.

Profit and loss distribution

The profits and losses of the Target Company incurred during the period from the day after the Valuation Date, up to and including the date of completion of the industrial and commercial registration of changes regarding the Disposal, shall be borne and gained by the original shareholder(s) of the Target Company prior to the industrial and commercial registration of changes in proportion to its/their respective equity interests. Neither Tiannuo Investments nor Hongda Explosive shall alter the agreed terms of the Disposal or the Consideration for factors such as the operating profits or losses of the Target Company during the aforementioned period.

Undertaking in relation to sales distribution

By entering into the Equity Transaction Agreement, Hongda Explosive undertakes to assist the Target Company in fully releasing its production capacity in relation to explosives for civilian use from the date of completion of the change of the equity registration. Upon request from Tiannuo Investments, Hongda Explosive shall conduct sales distribution based on the average market price of explosives for civilian use in the province where the Target Company is located (i.e. Guangdong Province), with a sales distribution period of no less than 5 years. If Hongda Explosive is unable to fulfill the sales distribution, it shall pay the Target Company a fee of RMB2,000 per tonne of explosives.

Completion

The relevant industrial and commercial registration of changes regarding the Disposal shall be completed by Tiannuo Investments within 30 days after the execution of the Equity Transaction Agreement.

As at the Latest Practicable Date, the relevant industrial and commercial registration of changes regarding the Disposal has been completed by Tiannuo Investments.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC with limited liability and is principally engaged in manufacturing and sales of civil explosives products. Prior to the Disposal, the entire equity interest in the Target Company is owned by Tiannuo Investments.

The financial information of the Target Company for the seven months ended 31 July 2025, and each of the two financial years ended 31 December 2023 and 2024 respectively is set out below:

	For the seven months ended 31 July 2025 *(RMB)* (unaudited)	**For the year ended 31 December 2024** *(RMB)* (audited)	**For the year ended 31 December 2023** *(RMB)* (audited)
Net profit before taxation	23,136,033	32,903,480	14,319,764
Net profit after taxation	19,665,628	28,578,872	12,950,931

Based on the unaudited financial accounts of the Target Company, the net asset value of the Target Company as at 31 July 2025 was approximately RMB101,872,000.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon the completion of the Disposal, the Group is not expected to record any actual gain or loss in the profit for the year of the consolidated income statement in accordance with the accounting standards. However, in terms of assets and liabilities, the Group is expected to recognize an increase in cash and bank balance from the cash consideration from the Disposal and related transaction expenses payables to be recognized following the Disposal of RMB105,932,363 (equivalent to approximately HK$115,784,000) and RMB12,133,000 (equivalent to approximately HK$13,261,000) respectively. Together with the increase of non-controlling interests of RMB35,421,592 (equivalent to approximately HK$38,716,000), there will be with a net effect of RMB58,377,771 (equivalent to approximately HK$63,807,000) added to equity.

The above is a preliminary assessment based on the latest financial statements of the Target Company, and the actual financial effects of the Disposal upon the completion is subject to the review of the auditors of the Company.

Upon completion of the Disposal, Tiannuo Investments's shareholding in the Target Company will be decreased from 100% to 69%. The Target Company will remain as a subsidiary in the Group, and its financial results will continue to be consolidated into the financial results of the Group upon completion of the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal will help expand the Target Company's equity base and gain support from Hongda Explosive in fully releasing the Target Company's production capacity in relation to explosives for civilian use. In particular:–

(a) Hongda Explosive is wholly owned by Guangdong Hongda Holdings Group Co., Ltd. (廣東宏大控股集團股份有限公司) ("**Guangdong Hongda**"), which is widely recognized as a leading enterprise in China's civilian explosives sector. With Hongda Explosive being one of the Target Company's shareholders, the parties aim to leverage on Guangdong Hongda's influence in the industry; and

(b) Hongda Explosive has undertaken to assist the Target Company in fully releasing its production capacity for civilian-use explosives. It is expected that Hongda Explosive will be capable of fulfilling its undertaking in view of (i) Guangdong Hongda's integrated "mining services + explosives" business model, where its mining service projects consume significant volumes of explosives, which is expected to help create demand for the Target Company's products; and (ii) Guangdong Hongda's expansive sales network, which spans multiple provinces from Guangdong, Jiangxi, Guangxi, Inner Mongolia, Xinjiang to Tibet in the PRC, and is extending internationally to Peru and Zambia, which helps to expand the existing sales channels of the Target Company across both domestic and overseas markets.

The Disposal will also help optimize the Company's asset structure and enhance its overall profitability, and the proceeds from the Disposal will be used to supplement the Company's general working capital, which will be beneficial to the Company's overall development.

The Directors are of the view that the Disposal and the transactions thereunder are on normal commercial terms which are made on an arm's length basis and are fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

PROFIT FORECAST REQUIREMENTS UNDER THE LISTING RULES

The Valuation was conducted by the Independent Valuer using discounted cash flow method of income approach. Accordingly, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

For the purpose of complying with Rules 14.60A of the Listing Rules, the details of the principal assumptions, including commercial assumptions, upon which the Valuation was based are as follows:

General assumptions

(a) Transaction assumption: It is assumed that the Target Company is already in a transaction. The valuer estimates its value by simulating market conditions based on the transaction terms of the Target Company.

(b) Open market assumption: It is assumed that the Target Company will be traded in an open market, which refers to fully developed and well-established market conditions, meaning a competitive market with willing buyers and sellers. In this market, buyers and sellers hold equal standing, and both have the opportunity and time to obtain sufficient market information. The trading behavior of both buyers and sellers is voluntary and rational, and is not forced or unrestricted.

(c) Continuous use assumption: The continuous use assumption presumes that the Target Company will continue its operations after the Valuation Date in accordance with its original business objectives and operational methods. This implies that following sale, merger, restructuring, or consolidation, the Target Company's continuing use value will persist, its products or services will continue to meet market demand, and it will generate a certain level of profitability.

Special assumptions

(a) There are no material changes in the relevant prevailing laws, regulations and policies of the country and the macroeconomic situation of the country. There are no material changes in the political, economic, and social environment in the regions where the parties to this transaction are located, and no material adverse effects arising from other force majeure events or unforeseeable circumstances.

(b) It is assumed that the Target Company continues as a going concern, based on the actual condition of assets as at the Valuation Date.

(c) It is assumed that the assets involved in the Target Company are free from significant defects, liabilities, and restrictions on rights that would affect their value.

(d) Unless otherwise stated, it is assumed that the Target Company is in full compliance with all relevant laws and regulations.

(e) It is assumed that the accounting policies to be adopted by the Target Company in the future will be substantially consistent with those applied in preparing the Valuation Report in all material respects.

(f) It is assumed that the business scope and mode of the Target Company will remain consistent with the current direction on the basis of the existing management practices and standards.

(g) There will be no material changes in interest rates, exchange rates, tax bases and tax rates, and other national policies.

(h) The parameters used in the Valuation do not take into account the impact of inflation.

(i) It is assumed that the registration documents, financial accounting information and other materials provided by Tiannuo Investments are authentic, complete and legal.

(j) It is assumed that the Target Company generates net cash flow evenly throughout the year.

(k) It is assumed that the Target Company will not incur interest-bearing debts after the Valuation Date.

(l) It is assumed that the inherent quality of the Target Company complies with relevant national standards and is sufficient to maintain its normal use.

(m) The Valuation calculations are based on the assumption that the condition of the Target Company on the Valuation Date is consistent with its condition on the date of completion of the on-site inspection.

(n) The Target Company is a High and New Technology Enterprise (HNTE) enjoying a preferential corporate income tax rate of 15%. Considering the future R&D capabilities and related R&D expenditures of the enterprise, it is assumed that the Target Company's HNTE qualification can be normally renewed upon expiry and that it will continue to enjoy this preferential tax policy during the future forecast period.

The Valuation Report was prepared by the Independent Valuer, Guangdong Mingliang Land and Real Estate Assets Appraisal Co., Ltd. The Directors noted from the Valuation Report that Ms. Zhang Yating*(張亞婷)and Mr. Wang Yong*(黃勇)were the responsible personnel of the Independent Valuer signing the Valuation Report. They are both members of the China Appraisal Society*(中國資產評估協會)and are qualified to conduct the present Valuation in accordance with the relevant laws and regulations of the PRC. The Directors have assessed the qualifications, experience and track record of the Independent Valuer and are of the view that the Independent Valuer and its responsible personnel are qualified, experienced and competent in performing the present Valuation.

To the best of the Directors' knowledge and having made reasonable enquiries, the Independent Valuer and its responsible personnel are independent of the Company and its connected persons and have no present or prospective interest in the Group or the Target Company.

Upon review of the Valuation Report and taking into account the following reasons, the Directors believe that the Valuation has been conducted in accordance with the applicable compliance requirements based on an appropriate adoption of valuation method, which reflects the value of the Target Company and is fair and reasonable:–

(i) the Independent Valuer has prepared the Valuation Report in compliance of the commonly adopted procedures, standards, laws and regulations of the PRC for the present Valuation, including but not limited to the Civil Code of the PRC (中華人民共和國民法典), the Asset Valuation Law of the PRC (中華人民共和國資產評估法), the Company Law of the PRC (中華人民共和國公司法) and the Law of the PRC on State-Owned Assets of Enterprises (中華人民共和國企業國有資產法);

(ii) the Independent Valuer has reviewed key aspects, including the financial data, operating data and other relevant data, in relation to the Target Company (including but not limited to its financial statements, historical business operation records, real estate certificates and fixed asset purchase agreements), allowing for the Target Company to be valued on a broad and comprehensive spectrum; and

(iii) when adopting the income approach as the valuation method, the Independent Valuer has fully explained the reasons why such approach is suitable for the Target Company having regard to its operational assets with clear ownership and in good condition. The income generated from these assets is measurable in monetary terms, with both revenue inflows and cost outflows quantifiable in monetary terms, allowing for estimation of the Company's earning potential and expected future returns as a reasonable approach. Furthermore, the associated risks (including industry, operational, and financial risks) can also be assessed and expressed in monetary terms.

HLB Hodgson Impey Cheng Limited ("**HLB Hodgson**"), being the reporting accountant of the Company in relation to the Disposal, has reviewed and reported to the Directors in respect of the compilation of the discounted future cash flows in connection with the Valuation of the Independent Valuer, which do not involve the adoption of accounting policies. So far as the calculations are concerned, the profit forecast has been properly compiled in all material respects in accordance with the assumptions adopted by the Board as set out in the Valuation Report.

The Directors confirm that the profit forecast in the Valuation has been made after due and careful enquiry. A report from HLB Hodgson in compliance with Rule 14.60A(2) of the Listing Rules is included in Appendix III to this circular, and a letter from the Board on the profit forecast in compliance with Rule 14.60A(3) of the Listing Rules is included in Appendix IV to this circular.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio for the transactions contemplated under the Disposal exceeds 25% but all of them are less than 75%, the entering into of such transactions constitutes a major transaction for the Company under the Listing Rules and is subject to the announcement, circular and shareholders' approval requirements under the Listing Rules.

No Shareholder is materially interested in the Disposal and no Shareholder is required to abstain from voting at a general meeting of the Company approving the transactions contemplated under the Disposal, and the Company has, pursuant to Rule 14.44 of the Listing Rules, obtained written approval of the transactions contemplated under the Disposal from Prize Rich Inc., a Shareholder holding 1,222,713,527 issued ordinary shares of the Company (representing 71.41% of its entire issued share capital). As such, the Company is exempted from convening a general meeting to approve the transactions contemplated under the Disposal.

PRINCIPAL BUSINESSES OF THE PARTIES

The Group

The Group is principally engaged in wellness elderly care business as the principal direction, with the strategic support of finance leasing, technology and civil explosives businesses. Through its joint ventures and associated companies, the Group also invests in fast growing sectors, such as electric utilities in the PRC.

Tiannuo Investments

Tiannuo Investments is a subsidiary of the Company, which is principally engaged in manufacture and sale of civil explosive products.

Hongda Explosive

Hongda Explosive is principally engaged in manufacture of industrial explosives and industrial detonators, manufacturing of general mechanical equipment and technology transfer, consulting and solution designing of blasting technology.

RECOMMENDATIONS

The Directors consider that the terms of the Equity Transaction Agreement and the transactions contemplated thereunder are on normal commercial terms which are made on an arm's length basis and are fair and reasonable, and in the best interests of the Group and the Shareholders as a whole.

Accordingly, if a general meeting were to be convened, the Board would recommend the Shareholders to vote in favour of the ordinary resolutions to approve the Equity Transaction Agreement and the transactions contemplated thereunder at such general meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the financial, valuation and general information as set out in the appendices to this circular.

On behalf of
Hing Yip Holdings Limited
HE Xiangming
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for each of the three years ended 31 December 2022, 2023 and 2024 are disclosed in the following annual reports of the Company for the years ended 31 December 2022, 2023 and 2024 respectively, and details of the unaudited consolidated interim financial information of the Group for the six months ended 30 June 2025 are disclosed in the following interim report 2025 of the Company for the six months ended 30 June 2025, which have been published and are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://hingyiphk.quamhkir.com):

- the annual report 2022 of the Company for the year ended 31 December 2022 which was published on 27 April 2023 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042700579.pdf), please refer to pages 131 to 309 in particular;

- the annual report 2023 of the Company for the year ended 31 December 2023 which was published on 24 April 2024 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0424/2024042402274.pdf), please refer to pages 100 to 254 in particular;

- the annual report 2024 of the Company for the year ended 31 December 2024 which was published on 28 April 2025 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0428/2025042800699.pdf), please refer to pages 100 to 256 in particular; and

- the interim report 2025 of the Company for the six months ended 30 June 2025 which was published on 19 September 2025 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0919/2025091900490.pdf), please refer to pages 26 to 72 in particular.

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2025, the Group had outstanding interest bearing bank loans of approximately HK$4,808,918,000 (comprising secured and guaranteed bank loans of approximately HK$4,351,118,000 which were secured by the pledge of investment properties of approximately HK$337,208,000, plant, property and equipment of approximately HK$58,610,000, finance lease receivables and future interest receivable of approximately HK$4,132,773,000, investment cost of 26.794% equity interests in an associate of approximately HK$123,726,000 and investment cost of 51% equity interest in a subsidiary of approximately HK$178,502,000; and unsecured and unguaranteed bank loans of approximately HK$457,800,000. Among such loans, a small number of them are having a maturity profile in the near term (maturing in 2025) and the rest are in the mid-term (maturing in 2026, 2027 and 2028) to long term (maturing in 2029, 2034, 2035, 2037, 2038, 2039 and 2047).

The Group had unsecured and unguaranteed interest bearing loans from its immediate holding company of approximately HK$26,000,000, which will mature in 2026.

The Group had outstanding secured and guaranteed other loans of approximately HK$36,968,000 which were secured by the pledge of finance lease receivables and future interest receivable of approximately HK$37,521,000.

In addition, the Group had unsecured and unguaranteed lease liabilities of approximately HK$3,666,000, and outstanding convertible notes with aggregate principal amount of HK$166,232,000 issued by the Company which will mature on 13 October 2027.

The Group issued unsecured and unguaranteed interest bearing bonds of approximately HK$933,390,000, which will mature in 2027 and 2028.

Save as aforesaid or otherwise disclosed herein, as at the close of business on 31 October 2025, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities.

3. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the existing cash and bank balances, other internal resources and available existing unutilised credit facilities, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Looking ahead, the global economic instability is likely to persist, leading to sluggish economic growth. Domestically, the recovery of consumer and investor confidence will take time, while challenges such as weak aggregate demand and continued adjustments in the property sector remain. The economy is undergoing a critical phase of transformation and upgrading, making the overall business environment particularly uncertain and demanding. However, China's rapidly ageing population represents a certain macro trend, supported by increasingly robust policy backing and significant market potential within the silver economy. Through forward-looking strategic planning, the Group has established advantages in scale, brand, and operational model within the Greater Bay Area, and is preparing to enter a historic window of opportunity for accelerated development.

The Group will remain firmly committed to its established strategic direction, steadfastly upholding its mission of "building a healthy life with Hing Yip Holdings". We will continue to leverage strategic resilience to navigate cyclical fluctuations and stay focused on our goal of becoming a premier technology-enabled health and wellness service provider in the Guangdong-Hong Kong-Macao Greater Bay Area. Our efforts will centre on deepening the optimisation of the "1+X" industrial structure, maintaining a configuration of "core business leadership with synergistic diversification". For the wellness and elderly care main business, we will build the core advantages of the main business of healthcare, fully facilitate the integration of healthcare resources and innovation of service models, thus enhancing our market profitability. For our core health and wellness segment, we will pursue an expansion strategy that "combines industrial mergers and acquisitions with self-invested development" to fully capture market opportunities. For our supporting businesses, we will enhance operational resilience and risk resistance by "deepening existing market potential, precisely cultivating new growth drivers, and strengthening risk management". We aim to stimulate new synergies within our "1+X" industrial structure by empowering our core business through technology, deepening the specialised development of our financial leasing segment, and improving operational efficiency in our civil explosives business. By strengthening post-investment management and adopting a Group-wide perspective, we will maximise cross-business collaborative value. Furthermore, we will continue to consolidate lean operations and enhance risk control systems, deepening the Group-wide "optimising costs and enhancing efficiency" initiative. Strengthening cash flow management and ensuring compliant operations will be key to maintaining the Group's financial resilience and operational stability in an increasingly uncertain environment.

Wellness and Elderly Care Business: Comprehensive deepening to pioneer growth

As the Group's core business and a key engine for future development, this segment carries a crucial strategic mission. We will fully focus our resources on transforming its development path from scale expansion to quality improvement and efficiency optimisation, aiming at achieving high-quality and sustainable growth. We will advance the implementation of a dual-driven development model of "elderly care services" and "technological innovation in health", empowering health services with cutting-edge technologies and supporting an innovative ecosystem with professional elderly care services, thereby building a new business landscape of coordinated development and mutual promotion.

In terms of elderly care services, we will comprehensively promote standardization and branding, establishing a replicable and scalable high-quality service model. We will restructure a tiered and targeted elderly care service mechanism, focusing on establishing specialised service areas, such as dedicated care for disabled elderly and care for cognitive impairment. We will systematically promote the deep integration of elderly care resources, actively respond to national policies on the silver economy and continuously optimise business development models with commercial sustainability. We are also capitalising on the historic opportunity presented by the "growing trend of Hong Kong residents seeking elderly care in mainland China", with a strategic focus on cultivating the Guangdong-Hong Kong-Macao Greater Bay Area market. Our efforts are directed towards building a competitive service brand defined by "Hong Kong-style, technology-enabled health and wellness care," with the aim of achieving breakthroughs in both of our market share and core service capacity.

Science and Technology Business: Strategic cultivation for synergistic empowerment

The technology business serves as a strategic hub for the Group's future-oriented development and empowerment, with a short-term focus on nurturing growth and a long-term emphasis on value creation. We will concentrate on core sectors, namely the "Industrialisation of Healthcare Technology" by striving to develop and expand new healthcare technology-enabled businesses characterized by data-driven and intelligent collaboration. Leveraging next-generation information technology, we will reshape healthcare service experience and industry efficiency, thereby building a brand-new digital elderly care ecosystem encompassing health management, emergency response, intelligent care and smart learning. Ultimately, we will achieve the deep integration and sustainable release of value in healthcare technology. The value of these forward-looking investments will not be immediately reflected in the financial statements, but rather in securing strategic initiative and industry influence in the smart healthcare sector for the Group in the future.

We will acquire and invest in projects in the sector of technological innovation in health to ensure synergy with our core business. We will actively develop emerging businesses, explore the digital education industry and open new profit growth opportunities. We will also strengthen the post-investment management of existing projects to unlock synergy with our core business.

Financial Leasing Business: Specialised excellence and prudent stewardship

This business serves as a stable and reliable source of profit for the Group. Guided by a philosophy of differentiated competition, the Group adheres to the principles of "market orientation, specialisation, and differentiation," with a focused approach on key segments including water supply, sewage treatment, cogeneration, and urban heating systems. We are committed to pursuing operational excellence and depth in these areas. To enhance operational efficiency, we are streamlining approval processes and optimising capital allocation. At the same time, we are expanding our financing channels to lower financing costs. Risk management remains a top priority, and we continue to strengthen our control framework to safeguard asset quality. With these initiatives, we remain firmly committed to our goal of becoming a leading specialised environmental protection financial leasing company in China.

Civil Explosives Business: Resilient development, value optimisation

In alignment with national policy directives, the Group is undertaking a comprehensive transformation by optimising our product portfolio to meet regulatory requirements of the state and adapt to the evolving market dynamics. The Group will also promote strategic partnerships with industry leaders to unlock synergistic growth opportunities, thus guaranteeing the packaging capacity and sales volume. In addition, the Group will actively expand its blasting business to unlock the capacity of mixed explosives. At the same time, the Group will continue to drive cost efficiency through 7S lean management practices and intelligent production line upgrades to maximize profitability.

During the reporting period, the Group reached a pivotal milestone in realising the benefits of its strategic transformation. Core businesses delivered rapid growth momentum, while supporting operations continued to perform steadily. Although net profit was temporarily impacted by non-recurring factors, the solid increase in core operating profit reflects a steady enhancement in the Group's intrinsic value. The Group's strategic planning remains both forward-looking and firmly grounded in market realities, securing the Company a firm foothold to capture long-term growth opportunities within the silver economy, and is equipped to consistently deliver returns to shareholders. With China's ageing population accelerating and supportive national policies continuing to emerge, we remain highly confident in the Group's prospects. The management will continue to strengthen its strategic execution capabilities, operational excellence, and prudent risk management, facilitating the Group to pursue high-quality, sustainable growth. We remain firmly committed to delivering long-term value to shareholders, investors, and society.

Looking ahead, we firmly believe that amidst challenges lie greater opportunities. The Group will unwaveringly adhere to its established strategic direction and remain fully committed to becoming a leading technology-enabled healthcare services provider in the Guangdong-Hong Kong-Macao Greater Bay Area.

The following contents are extracted from the Valuation Report dated 24 July 2025 for inclusion in this circular.

Summary of the Asset Valuation Report
on the Value of the Entire Shareholders' Equity in
Guangdong Nanhong Civil Explosives Co., Ltd.*（廣東南虹民爆有限公司）Involved in
the Proposed Transfer of Equity Interest
by its holding company Guangdong Tiannuo Investments Co., Ltd.*（廣東天諾投資有限公司）

As engaged by Guangdong Tiannuo Investments Co., Ltd., in accordance with relevant laws, regulations, asset valuation standards and asset valuation principles, using both the asset-based approach and the income approach, and following the necessary valuation procedures, Guangdong Mingliang Land and Real Estate Assets Appraisal Co., Ltd.*（廣東銘亮土地房地產資產評估有限公司）has conducted a valuation of the market value of entire shareholders' equity in Guangdong Nanhong Civil Explosives Co., Ltd., which is involved in the proposed transfer of equity interest by Guangdong Tiannuo Investments Co., Ltd. in its subsidiary Guangdong Nanhong Civil Explosives Co., Ltd., on the valuation benchmark date of 28 February 2025.

I. STATEMENTS

1. The valuation report was prepared in accordance with the Basic Standards on Assets Valuation issued by the Ministry of Finance, as well as the Practicing Guidelines for Assets Valuation and Code of Ethics for Assets Valuation issued by China Appraisal Society*（中國資產評估協會）.

2. Guangdong Mingliang Land and Real Estate Assets Appraisal Co., Ltd. and its asset valuers have complied with the laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, and are responsible for the asset valuation report issued by them under the laws.

3. Guangdong Mingliang Land and Real Estate Assets Appraisal Co., Ltd. and its professional asset valuers do not have any existing or potential interests in the valuation target as specified in the valuation report; and do not have any existing or potential interests in any of the parties involved, nor any prejudice against these parties involved.

II. VALUATION PURPOSE

The current asset valuation aims to provide a reference for the market value of the entire shareholders' equity in Guangdong Nanhong Civil Explosives Co., Ltd., pertaining to the transfer of equity interest by Guangdong Tiannuo Investments Co., Ltd. in its subsidiary Guangdong Nanhong Civil Explosives Co., Ltd., on the valuation benchmark date of 28 February 2025.

III. VALUATION SUBJECT AND VALUATION SCOPE

The target of valuation shall be the total equity value of Guangdong Nanhong Civil Explosives Co., Ltd. on the valuation benchmark date of 28 February 2025. The scope of valuation shall be all assets and relevant liabilities declared by Guangdong Nanhong Civil Explosives Co., Ltd. on the valuation benchmark date. The balance sheet of Guangdong Nanhong Civil Explosives Co., Ltd. as at 28 February 2025 has been audited by Guangdong Zhonglian Certified Public Accountants Co., Ltd.*（廣東眾聯會計師事務所有限公司）.

IV. VALUE TYPE: market value

V. VALUATION BENCHMARK DATE: 28 February 2025

VI. VALUATION METHODOLOGY

(I) Basic Approaches of the Valuation

1. Asset-based approach

The asset-based method, also known as the cost method, refers to the valuation method that uses the balance sheet of the assessed enterprise as the basis for a reasonable valuation of the value of the enterprise's on- and off-balance sheet assets and liabilities to determine the value of the target of valuation.

2. Income Approach

The income approach determines the valuation of an entity by capitalizing or discounting its expected earnings. This approach is suitable for companies that have a sustainable operating foundation and conditions, a relatively stable relationship between operations and earnings, and predictable and quantifiable future earnings and risks.

3. Market Approach

The market approach in enterprise value valuation refers to a method of comparing the target of valuation with comparable listed companies or comparable transaction cases to determine the value of the target of valuation.

(II) Selection of Valuation Method

According to the "Asset Appraisal Practice Standards – Enterprise Value", when performing enterprise valuation business, the applicability of the three basic methods of asset-based approach, income approach and market approach should be analyzed according to the purpose of valuation, target of valuation, value type, data collection, etc., and the means of valuation should be appropriately selected.

We have conducted necessary verification of the valuation subject and scope as engaged and implemented the necessary valuation procedures. On this basis, we have analyzed and determined the three basic methods according to the valuation purpose, target of valuation, value type, data collection, etc., and ultimately adopted the asset-based approach and the income approach as the valuation methods for the current valuation. The reasons for the selection are as follows:

1. The asset-based approach is based on book value. As long as the book value is recorded accurately, it is relatively easy and accurate to use the asset-based method for valuation. Since the asset-based method is based on the balance sheet, from the perspective of asset cost, the market value of each individual asset and liability replaces its historical cost, and the liability valuation is deducted from the sum of the individual asset valuations to obtain the total equity of the company's shareholders.

   The appraised entity has complete accounting record information. The assets and liabilities on and off the balance sheet on the valuation benchmark date could be identified and could be assessed separately using appropriate methods. Therefore, it is appropriate to use the asset-based approach for assessment.

2. The income method approach, through analysis of relevant national policies, the national economic operating environment and the development of relevant industries as well as the operating conditions of the appraised entity, shows that the appraised entity has the basis and conditions for continued operation, has sufficient historical operating and financial data, is profitable, and its future income and risks can be predicted and quantified. Therefore, the income method can be used in this assessment.

3. The market approach refers to the valuation approach that compares the appraised entity with reference enterprises with existing market transactions, including businesses, shareholders' equity, securities, and other equity assets, to determine the value of the appraised entity. The market approach is applicable only if the comparable reference assets of the appraised entity have an open-market and active transactions, and the necessary information about the transactions is available. However, due to the current limited number of domestic sales, acquisitions, and mergers of similar enterprises, the inactive market for transactions of similar net assets or equity assets, and the lack of transparency in information about similar transactions, it is difficult to obtain sufficient and reliable operating and financial data. The unique operating practices of the appraised entity make it difficult to reasonably quantify, amend, or adjust the degree of difference from transaction cases and the calculated value ratios. Therefore, the market approach is not appropriate for the current valuation.

To sum up, based on the purpose of the current valuation, the type of value, the characteristics of the appraised entity, the collection of information required for the valuation and other relevant conditions, as well as the applicable conditions of the three basic valuation methods, it is determined that the asset-based method and the income method will be used for the valuation this time.

(III) Technical Considerations on the Selection of Valuation Approach

1. Introduction to the Asset-Based Approach

The asset-based approach, also known as the cost-plus approach, determines the aggregate asset value based on the investment required to reconstruct an identical enterprise or independent profit-generating entity as of the valuation benchmark date. Specifically, it involves appraising each individual asset constituting the enterprise using appropriate valuation methods, then summing these values and subtracting the assessed value of liabilities to derive the appraised entity's value. The valuation methods for various assets and liabilities are as follows:

(1) Monetary funds include cash and bank deposits. The assessed value is confirmed based on the verified book value through cash counts, bank statement reconciliations, and bank confirmations.

(1.1) Cash

The total book value of cash is RMB9,147.16. The valuer checked the cash reconciliation statement against the cash journal and conducted on-site cash counts, back-dating the inventory balance to the valuation benchmark date: Cash balance as of the valuation benchmark date = cash balance as of the on-site count date + expenditures between the valuation benchmark date and the on-site count date – revenues between the valuation benchmark date and the on-site count date. The estimated balance tallied with the balance on the valuation benchmark date. For cash in RMB, the assessed value is determined based on the verified book value.

(1.2) Bank Deposits

The total book value of bank deposits is RMB17,423,458.68. The valuer verified the amount by reviewing bank deposit statements and checking them against the reconciliation statement. The bank deposit statements as of the valuation benchmark date were examined, and confirmations were procured from the account-holding banks. Upon verification, the balance confirmed by the banks tallied with the book value of bank deposits. The assessed value of bank deposits in RMB is determined based on their book value.

The valuation of cash and cash equivalents is confirmed as RMB17,423,458.68, with no increase or decrease in value.

(2) Notes Receivable

For non-interest-bearing notes, the assessed value is determined based on their face value.

The total book value of notes receivable is RMB3,408,094.45, consisting entirely of bank acceptance bills. The valuer reviewed the ancillary account book on notes receivable, verifying details such as settlement counterparties, types of notes, issuance dates, maturity dates and coupon rates. Uncollected notes can be recovered as scheduled based on their terms, and the verified book value is adopted as the assessed value.

The assessed value of notes receivable is confirmed as RMB3,408,094.45, with no increase or decrease in value.

(3) Accounts Receivable

The valuer verified the book value by reviewing ledgers and original vouchers. For large accounts receivable, confirmation letters or relevant alternative procedures were used to investigate and verify. If no conclusive evidence of uncollectible amounts is found, the declared book value is used as the assessed value.

The book balance of accounts receivable is RMB504,115.00, with a book provision for bad debts of RMB0, representing payment for goods.

The valuer verified the settlement counterparties, transaction details, transaction dates and book amounts through random inspection of accounting vouchers. Based on the verification results, the specific identification method was applied for valuation, and the assessed value is determined by deducting the assessed risk loss from the verified book value.

For transactions with related parties where there is sufficient reason to believe that all amounts will be recovered, the assessed risk loss is 0%. For accounts where there is conclusive evidence that the amounts cannot be recovered or where there is excessive aging, the assessed risk loss is 100%.

For accounts where partial non-recovery is highly probable, but the exact amount is difficult to ascertain, the assessed risk loss is estimated based on the aging analysis method, referencing the enterprise's accounting practices for calculating bad debt provisions.

The assessed risk loss is determined based on the above criteria, and the assessed value is determined by deducting the assessed risk loss from the total accounts receivable.

The assessed estimated risk loss is RMB0, and the assessed value of accounts receivable is RMB504,115.00, with no increase or decrease in value.

(4) Accounts Receivable (Financing)

For valuation of accounts receivable (financing), the valuer verified whether detailed ledger balances match the general ledger and statement balances, confirmed consistency with the detailed financing schedule, and reviewed the consistency of bill face amounts, issuance dates, transaction details, and stated interest rates with accounting records to confirm the authenticity and completeness of accounts receivable (financing). The verification results confirmed that the amounts in the accounts, statements, and documents are consistent. Upon verification, the accounts receivable (financing) records are authentic, the amounts are accurate, and there is no unrecognized interest. The verified book value is adopted as the assessed value.

The book balance of accounts receivable (financing) is RMB362,208.58, representing payment for goods. The valuer reviewed the ancillary account book on notes receivable, verifying details such as settlement counterparties, types of notes, issuance dates, maturity dates and coupon rates. Uncollected notes can be recovered as scheduled based on their terms, and the verified book value is adopted as the assessed value.

The assessed value of accounts receivable (financing) is confirmed as RMB362,208.58, with no increase or decrease in value.

(5) Prepayments

For the valuation of prepayments, the valuer, based on the verified prepayments, utilized historical data and information obtained from current investigations to specifically analyze the amount, duration and reasons for the debt, the status of payment recovery, the debtor's financial position, creditworthiness, and current operational management. No instances of bankruptcy, dissolution, or failure to provide goods or services as stipulated in the contract were found among the suppliers, and the verified book value is adopted as the assessed value.

The book value of prepayments is RMB162,336.67, primarily consisting of pending refunds and domestic waste disposal fees, etc.

The valuation professionals conducted enquiries with relevant personnel of the appraised entity to ascertain the reasons for the formation of prepayments and the creditworthiness of the counterparties, etc. In accordance with the principle of materiality, confirmation was procured for prepayments that were large in amount or had long aging periods, and corresponding contracts were subject to random inspection. For prepayments where corresponding goods can be received or rights and interests can be formed under contractual provisions, the verified book value is used as the assessed value.

The assessed value of prepayments is RMB162,336.67, with no increase or decrease in value.

(6) Other Receivables

The valuer verified the accounts by reviewing ledgers and original vouchers, and conducted confirmation inquiries or relevant alternative procedures for significant other receivables. No conclusive evidence of uncollectible amounts was found, and the assessed value is determined based on the reported book value.

The book balance of other receivables is RMB4,500,000.00, with a book provision for bad debts of RMB0, mainly consisting of current accounts.

The valuer verified the settlement counterparties, transaction details, transaction dates and book amounts through random inspection of accounting vouchers. Based on an analysis of transaction content and aging, and based on the verification results, the specific identification method was applied for valuation, and the assessed value is determined by deducting the assessed risk loss from the verified book value. The amounts recorded in the books were verified as true and accurate. On this basis, the assessed value is determined based on the amount that may be recovered for each transaction. For the current valuation, the valuer determined the assessed value based on the verified net amount of other receivables after verifying its accuracy.

Upon verification, the assessed value of other receivables is RMB4,500,000.00, with no increase or decrease in value.

(7) Inventory

The book value of inventory as of the valuation benchmark date is RMB3,798,658.02, with a provision for impairment of RMB0. This includes raw materials with a book value of RMB2,095,253.78 and finished goods with a book value of RMB1,703,404.24.

① Raw Materials

For raw materials used in normal operations, taking into account the high consumption rates, rapid turnover, and recent procurement, which is close to the valuation benchmark date, the book value approximates the market price on the valuation benchmark date. The book value of the raw materials reflects the quoted price for similar assets in an active market, hence the assessed value is determined based on the book value.

The book value of raw materials is RMB2,095,253.78 with a provision for impairment of RMB0, and a net book value of RMB2,095,253.78. It primarily comprises sodium nitrate, perlite and composite emulsified oil, etc. required for the appraised entity's production.

As raw materials are fast-moving inventory with high consumption rates and rapid turnover, their adjusted book value approximates the market price as of the valuation benchmark date. Therefore, the assessed value is determined by multiplying the verified quantity by the adjusted book unit price.

After verification, the assessed value of raw materials is RMB2,095,253.78, with no increase or decrease in value.

② Finished Goods

For products sold under normal circumstances, the following valuation methods were primarily adopted:

Based on investigation findings and data analysis provided by the enterprise, the valuer determines the assessed value of finished goods by subtracting sales expenses, all taxes, and an appropriate amount of after-tax net profit from the tax-exclusive price.

The calculation process for the valuation of normally sold products is as follows:

Assessed value = tax-exclusive unit selling price of finished goods × (1 - sales expense ratio – tax and surcharge ratio – income tax rate – net profit margin × net profit margin deduction rate) × quantity of finished goods

The book value of finished goods is RMB1,703,404.24, with a provision for impairment of RMB0 and a net book value of RMB1,703,404.24.

The calculation table for each rate is as follows:

Table of Indicators for the Valuation of Finished Goods

Indicator	Indicator Value	Explanation for Valuation
Tax-exclusive price	7,258.43	Sales price of the product
Sales expense ratio	0	Average level from January to December 2024
Tax and surcharge ratio	1.11%	Average level from January to December 2024
Income tax rate	2.68%	Average level from January to December 2024
Net profit margin	17.69%	Average level from January to December 2024
Net profit margin deduction rate	50%	Determined at 50% based on the risk level associated with product sales performance and revenue realization

Assessed value = tax-exclusive unit price of finished goods × (1 – selling expense ratio – tax and surcharge ratio – income tax rate – net profit margin × net profit margin deduction rate) × quantity of finished goods

= 7,258.43 × (1 – 0 – 1.11% – 2.68% – 17.69% × 50%) × 440.57

= 2,794,082.00 (RMB) (rounded to the nearest whole number)

The assessed value of finished goods is RMB2,794,082.00, with an increase in assessed value of RMB1,090,677.76, representing a 64.03% value addition rate. The main reason being, after deducting sales expenses, all taxes, and an appropriate amount of after-tax net profit, the market price of the enterprise's finished products yields a certain profit, which leads to an increase in valuation.

(8) Contract Assets

Based on the verification of book value of contract assets, the recovery prospects of receivables were assessed through specific analysis of the formation process, creditworthiness of debtors, and fulfillment capacity, utilizing historical data and current investigation findings. The assessed value of contract assets is determined by deducting verified risk losses from the verified book value, with bad debt provisions assessed at zero.

The book value of contract assets is RMB17,201,806.71, representing payment for goods from Guangdong United Civil Explosives Co., Ltd.*（廣東聯合民爆有限公司）. After reasonably analyzing the creditworthiness of relevant customers, their ongoing ability to fulfill contractual obligations and the performance risks of the appraised entity itself, the valuer has found no significant adverse factors affecting the recovery of the relevant contract consideration. Therefore, the assessed value is determined based on the verified book value.

Upon verification, the assessed value of contract assets is RMB17,201,806.71, with no increase or decrease in value.

(9) Long-term Equity Investments

For long-term equity investments where the investor holds controlling interest and the investee is operating normally, both the asset-based approach and the income approach are used to evaluate the investee as a whole on the same valuation benchmark date. The assessed value is determined by multiplying the total equity value of the shareholders after valuation by the actual shareholding ratio.

The assessed value of long-term equity investment = value of the entire shareholders' equity of the investee after overall valuation × ownership percentage

(9.1) Scope of Valuation

The book value of long-term equity investments included in the scope of this valuation is RMB7,399,600.00, with details as follows:

Amount Unit: RMB

No.	Name of Investee or Controlling Company	Shareholding Ratio	Registered Capital	Investment Date	Book Value
1	Zhaoqing Huaxin Blasting Engineering Co., Limited* (肇慶市華信爆破工程有限公司)	51.00%	10,000,000.00	31 May 2022	7,399,600.00
Total					7,399,600.00

(9.2) Overview of the Appraised Entity

Name: Zhaoqing Huaxin Blasting Engineering Co., Limited (hereinafter referred to as "**Huaxin Blasting**");

Unified social credit identifier: 914412033249812637;

Type: Other limited liability company;

Address: Office Building for Detonation Inducing Operations, Guangdong Nanhong Chemical Co., Limited, Kengtang, Liantang Town, Gaoyao District, Zhaoqing City;

Legal representative: He Junping;

Registered capital: RMB10,000,000;

Date of establishment: 14 January 2015;

Business scope: Licensed items: Blasting operations (operated within the scope approved by the Blasting Operations Unit License); road transport of dangerous goods; road freight transport (excluding dangerous goods). (Business projects subject to approval according to law must obtain approval from relevant authorities before commencing operations; specific business projects shall be subject to the approval documents or licenses issued by relevant authorities). General projects: Information technology consulting services; labor services (excluding labor dispatch); loading and unloading; landscape construction: self-funded investment activities; sales of mining machinery; sales of building materials; sales of chemical products (excluding licensed chemical products); wholesale of hardware products; retail of hardware products; machinery and equipment leasing; special equipment leasing; housing rental; non-residential property leasing. (Except for projects subject to approval according to law, business activities may be conducted independently in accordance with the business license).

(9.3) Valuation Process

The verification process is primarily divided into the following three stages:

Stage 1: Preparation

The asset valuation institution developed an initial understanding on the composition of long-term equity investments within the valuation scope, and designed the valuation technical plan and staffing plan of valuation professionals. It submitted a valuation documentation checklist and valuation declaration form to the appraised entity, and guided the appraised entity in preparing the required materials and completing the long-term equity investment valuation declaration form in accordance with asset valuation standards.

Stage 2: On-site Investigation

The valuation professionals reviewed the appraised entity's detailed ledgers, general ledgers and accounting vouchers for long-term equity investments. They examined the investee company's articles of association and capital verification reports and verified the accuracy of the recorded long-term equity investment book entries, as well as the investment dates, original investment amounts and shareholding percentages of the long-term equity investments. The valuation professionals conducted comprehensive on-site investigations of the investee company.

Stage 3: Valuation and Estimation

Based on the characteristics of various long-term equity investments and in compliance with valuation standards and relevant regulations, appropriate valuation methods were applied respectively to determine their market value as of the valuation benchmark date. Corresponding valuation calculation schedules were prepared, and technical explanations on the valuation of long-term equity investments were drafted.

(9.4) Valuation Methods

Appropriate valuation methods are selected based on the specific circumstances of the long-term equity investments.

For long-term equity investments where the investor holds controlling interest and the investee operates normally, both the asset-based approach and the income approach are used to evaluate the investee as a whole on the same valuation benchmark date. The assessed value is determined by multiplying the total equity value of the shareholders after valuation by the actual shareholding ratio.

Assessed value of long-term equity investment = value of the entire shareholders' equity of the investee after overall valuation × shareholding ratio

For the detailed valuation process, please refer to Appendix II to the Valuation Explanation of Guangdong Nanhong Civil Explosives Co., Ltd.'s Long-Term Equity Investment in Huaxin Blasting.

(9.5) Valuation Results

Based on the above valuation methods, the book value is RMB7,399,600.00, the assessed value is RMB11,616,500.00, the increase in assessed value is RMB4,216,900.00, with a value addition rate of 56.99%.

(10) Fixed Assets

(10.1) Buildings and Structures

Valuation and Verification Process

① Accounts reconciliation

Based on the valuation declaration schedules of building and structural assets provided by the appraised entity, firstly, it was checked against the corresponding items on the appraised entity's balance sheet to ensure consistency of the total amount; then, it was checked against the appraised entity's detailed ledgers and account books of building and structural assets to ensure consistency in the detailed amounts and contents; finally, the original accounting vouchers, etc. were verified for the building and structural assets.

② Data collection

The valuer collected property ownership documentation based on the principle of materiality, considering characteristics such as the type and value of the building and structural assets.

③ On-site investigation

The valuer and relevant personnel of the appraised entity jointly conducted an inventory and inspection of the building and structural assets declared as of the valuation benchmark date. They verified basic information such as the names, quantities, purchase and construction dates, areas, structures, decorations, water supply and drainage, power supply and lighting of the buildings and structures; gathered usage information such as working environment, maintenance and upkeep conditions of the buildings and structures; inquired about the degree of damage and estimated service life of the buildings and structures; and completed an on-site survey form on typical buildings and structures.

④ On-site interview

The valuer investigated and inquired the appraised entity about the quality, functionality, utilization and maintenance, etc. of the building and structural assets; investigated and inquired about the recent construction and installation market price information in the local area as of the valuation benchmark date; and investigated and inquired about relevant accounting policies and regulations including the composition of the original book value, depreciation methods, and impairment provision and accrual methods of the building and structural assets.

Valuation Method

Based on the characteristics of the buildings and structures subject to the current valuation, the type of valuation, the availability of data, and other relevant conditions, the cost approach is used for assessment.

The calculation formula is as follows: Assessed value = replacement cost × composite residual rate

① Determination of Replacement Cost

Replacement cost generally includes development costs, management fees, investment interest, sales expenses, investment profit, and sales taxes.

The formula is as follows: Replacement cost = development costs + management fees + investment interest + sales expenses + investment profit + sales taxes and fees

② Determination of the Composite Residual Rate

The composite residual rate for buildings is determined by combining the theoretical residual rate and the survey residual rate.

The calculation formula is as follows: Composite residual rate = theoretical residual rate × 50% + survey residual rate × 50%

Whereas:

Theoretical residual rate = remaining service life ÷ (elapsed service life + remaining service life) × 100%

On-site survey residual rate: This involves classifying the main factors that affect the asset's residual rate. By determining the weight of influencing factors in building and structure costs, standard score values for each factor in different structural forms are established. Based on the actual conditions observed during the on-site survey, valuation scores for each category are determined, which are then used to calculate the on-site survey residual rate.

③ Determination of Assessed Value

Assessed value = replacement cost × composite residual rate

(10.2) Equipment

Valuation and Verification Process

① Preparation stage

The valuer gained preliminary understanding of the composition of equipment assets within the valuation scope, and submitted the valuation information lists and valuation declaration schedules to the appraised entity. In accordance with the requirements of asset valuation standards, the valuer guided the appraised entity in preparing required materials and completing the valuation declaration schedules of equipment assets.

② On-site investigation stage

A. Accounts reconciliation

Based on the valuation declaration schedules of equipment assets provided by the appraised entity, firstly, it was checked against the corresponding items in the appraised entity's balance sheet to ensure consistency of the total amount; then, it was checked against the appraised entity's detailed ledgers and account books of equipment assets to ensure consistency in the detailed amounts and contents; finally, the original accounting vouchers, etc. were verified for certain equipment assets.

B. Data collection

The valuer collected equipment purchase invoices based on the principle of materiality, considering characteristics such as the type and value of the equipment asset. Copies of vehicle registration certificates were also gathered.

C. On-site inspection and inventory

The valuer and relevant personnel of the appraised entity jointly conducted an inventory and inspection of equipment assets declared as of the valuation benchmark date. They verified basic information including the names, specifications, models, quantities, purchase dates and manufacturers of the equipment, and gathered usage information such as working environment, utilization rates, maintenance and upkeep conditions of the equipment.

D. On-site interview

The valuer investigated and inquired about information including performance, operation, maintenance and renewal of the equipment assets; investigated and inquired about the recent purchase prices and relevant taxes and charges of various types of typical equipment as of the valuation benchmark date; and investigated and inquired about relevant accounting policies and regulations including the composition of the original book value, depreciation methods and impairment provision and accrual methods of the equipment assets.

③ Valuation and estimation stage

Based on the characteristics of each type of equipment, and in accordance with valuation standards and relevant regulations, appropriate valuation methods were applied respectively to determine the market value as of the valuation benchmark date. Corresponding detailed valuation schedules and valuation summary tables were prepared, and technical explanations on the valuation of equipment assets were drafted.

Valuation Method

For the purpose of the current valuation, the replacement cost approach is primarily used. The market approach is partially applied.

The cost approach formula is as follows:

Assessed value = replacement cost × composite residual rate

① Determination of Replacement Cost

For equipment where current purchase prices or construction costs are obtainable, replacement cost primarily comprises the market purchase price or construction cost of the equipment itself. For equipment where current purchase price or construction cost cannot be obtained, the replacement cost is calculated based on the verified original book value of the equipment, adjusted according to the price change index of similar equipment in the domestic market. For small equipment, the purchase price is primarily determined by consulting market quotation information as of the valuation benchmark date. For second-hand equipment, the market approach is used based on the second-hand market price as of the valuation benchmark date.

For transportation equipment, the replacement cost is primarily determined by market inquiries to establish the market purchase price of individual vehicles, plus vehicle purchase tax and new vehicle registration fees.

② Determination of the Composite Residual Rate

For machinery equipment, the composite residual rate is determined by combining the service life method with the survey method.

The formula is as follows:

Composite residual rate = residual rate by service life method × 40% + residual rate by survey method × 60%

Service life method residual rate = remaining service life ÷ (elapsed service life + remaining service life) × 100%

For transportation vehicles, the theoretical residual rate is determined using a combination of the service life method and mileage-based method. This is then adjusted based on on-site survey findings to determine the composite residual rate.

The formula is as follows:

Composite residual rate = theoretical residual rate × 40% + survey residual rate × 60%.

Service life method residual rate = remaining service life ÷ (elapsed service life + remaining service life) × 100%

Mileage-based residual rate = (specified mileage – actual mileage)/specified mileage × 100%

Theoretical residual rate = MIN (residual rate based on service life, residual rate based on mileage)

For electronic office equipment and other devices, the combined service life and survey methods are primarily used to determine the composite residual rate. Computers and air conditioners mainly rely on the service life residual rate to determine the composite residual rate.

The formula is as follows:

Composite residual rate = residual rate by service life × 40% + residual rate by survey × 60%

Service life method residual rate = remaining service life ÷ (elapsed service life + remaining service life) × 100%

③ Determination of Assessed Value

Assessed value = replacement cost × composite residual rate

※Market Approach Calculation Formula:

Equipment market approach formula:

Assessed value = market value of reference property × transaction factor adjustment coefficient × time factor adjustment coefficient × regional factor adjustment coefficient × individual factor adjustment coefficient × quantity

Vehicle Market Approach Formula:

Assessed value = P × A × B × C × D × E

Whereas:

P – Comparable sales price

A – Transaction area adjustment coefficient

B – Transaction condition adjustment coefficient

C – Transaction date adjustment coefficient

D – Usage factor adjustment coefficient

E – Physical factor adjustment coefficient

(11) Intangible Assets

(11.1) Land Use Rights

Considering the specific circumstances of the subject parcel, land use nature, and purpose of the assessment, combined with the relevant data collected, the targets of valuation for the current valuation are industrial land, urban residential land, and warehouse land. Based on the development status of the local real estate market and considering the optimal use of the land parcels, the market comparison approach is adopted to ensure valuation results more closely reflect market value.

※ The market comparison approach involves comparing the target of valuation with similar land parcels that have transacted at the valuation benchmark date. Known prices of these comparable properties are appropriately adjusted to estimate the objective and reasonable price or value of the target of valuation.

Market comparison method formula: assessed value of the target of valuation = price of comparable cases × land use adjustment coefficient × transaction condition adjustment coefficient × transaction date adjustment coefficient × regional adjustment coefficient × individual adjustment coefficient × weighted average of comparable case values.

(11.2) Other Intangible Assets

① Trademarks

For trademarks acquired by an enterprise, the verified book value is used to determine the valuation.

② Software

For externally purchased office software that may continue to be used for its original purpose, the valuation is determined by referencing the enterprise's original acquisition cost, based on the ratio of the original acquisition cost to the remaining useful life and total amortization period.

The formula is as follows:

Assessed value = original purchase cost × (remaining beneficial months/estimated amortization months)

③ Patents

The intangible assets subject to the current valuation comprise 20 patents developed in-house by the appraised entity and 1 purchased patent, including 19 utility model patents and 2 invention patents. All are off-balance-sheet assets declared by the appraised entity. According to the patent ownership certificates provided by the appraised entity, Guangdong Nanhong Civil Explosives Co., Ltd. holds all patent rights.

It is noted that the 19 utility model patents and 2 invention patents declared by the appraised entity are currently unused. Therefore, the cost approach was adopted for the current valuation.

Assessed value = replacement cost – impairment amount

(12) Long-term Deferred Expenses

The valuer randomly sampled original accounting vouchers, contracts, invoices, and other supporting documents for deferred expenses to verify the authenticity and completeness of their accounting content. For incurred expenditures on building renovations, since these extend the corresponding building's useful life, their value is already reflected in the assessed value of the buildings and structures. Therefore, they are valued at zero here.

(13) Liabilities

All liabilities are current liabilities, including accounts payable, employee remuneration payable, taxes payable, other payables, and other current liabilities.

The valuer verified each reported liability in the first place. The assessed value is determined based on the verified results.

(13.1) Accounts Payable

The book value of accounts payable as of the valuation benchmark date was RMB1,220,363.78, primarily consisting of payments of materials, etc.

The valuer reviewed the detailed ledgers and purchase contracts with major purchasing entities, and obtained external confirmations for significant payables. After confirming the authenticity and validity of the transactions underlying each item and verifying the accuracy of the amounts, the verified book value is adopted as the assessed value.

The assessed value of accounts payable is RMB1,220,363.78, with no increase or decrease in value.

(13.2) Employee Remuneration Payable

The book value of employee remuneration payable is RMB900,000.00, primarily accounting for wages and bonuses payable by the enterprise to employees. After reviewing relevant vouchers, the valuer confirmed the verified book value as the assessed value.

The assessed value of employee compensation payable is RMB900,000.00, with no increase or decrease in value.

(13.3) Taxes Payable

The book value of taxes payable is RMB4,143,981.47, primarily consisting of taxes such as value-added tax payable and corporate income tax payable.

The valuer reviewed the detailed ledgers of taxes payable and randomly sampled the enterprise's tax payment vouchers, tax return forms and other financial information, confirmed the accuracy of the tax calculations, and during valuation, used the checked and verified results as the assessed value.

The assessed value of taxes payable is RMB4,143,981.47, with no increase or decrease in value.

(13.4) Other Payables

The book value of other payables is RMB110,828.38, primarily consisting of labor union fees and deposits payable, etc.

The valuer verified the accounting records, randomly sampled certain original vouchers and other relevant materials to verify the authenticity of the transactions, their age, business content and amount, etc., then took procedures such as obtaining confirmations and checking original vouchers to verify the accuracy of the accounting basis for other payables.

The assessed value of other payables is RMB110,828.38, with no increase or decrease in value.

(13.5) Other Current Liabilities

The book value of other current liabilities is RMB3,284,250.45, primarily consisting of payments for goods.

Based on the detailed declaration schedules provided by the enterprise, the valuer examined the detailed ledgers and relevant vouchers to analyze and assess the authenticity and completeness of the enterprise's debts.

The assessed value of other current liabilities is RMB3,284,250.45, with no increase or decrease in value.

2. Introduction to the Income Approach

Common specific methods under the income approach include the dividend discount model and the discounted cash flow method. The dividend discount model is a specific method that discounts expected dividends to determine the value of the valuation subject, typically applicable to valuation of the value of minority interests lacking controlling rights. The discounted cash flow model generally includes the discounted corporate free cash flow model and the discounted equity free cash flow model. The appropriate discounted cash flow model is selected based on the enterprise's future operating model, capital structure, asset utilization status, and future earnings trends.

As the appraised entity of the current valuation is the entire equity interest value of the appraised entity, the discounted corporate free cash flow method is applicable.

(1) Basic Mindset of Valuation

Based on the valuation investigation findings, the asset composition of the appraised entity, and the characteristics of its primary business operations, the current valuation utilizes the audited financial statements of Guangdong Nanhong Civil Explosives Co., Ltd., as the foundation for analyzing and calculating the value of the appraised entity. The basic mindset is as follows:

① Assets within the scope of the financial statements are categorized into operating assets, surplus assets, non-operating assets, and liabilities, and are adjusted accordingly. Surplus assets, non-operating assets, and liabilities include monetary funds not required for daily operations as of the valuation benchmark date; current assets or liabilities such as accounts receivable/payable arising from non-operating activities; and non-operating external investments; and non-current assets or liabilities such as idle or obsolete equipment;

② For assets and core business activities included in the scope of operating assets statement, expected returns are estimated based on trends in operational performance before and after the valuation benchmark date and the nature of the business. The value of operating assets is then calculated using an income approach valuation model;

③ For surplus assets, non-operating assets, and liabilities not included in the scope of operating assets statement, their values are excluded from the income approach valuation and are analyzed and assessed separately;

④ The aggregate enterprise value of the appraised entity is determined by summing the values of operating assets, surplus assets, and non-operating assets, and then subtracting non-operating liabilities;

⑤ The total shareholder equity is obtained by deducting interest-bearing debt from the enterprise's overall value.

(2) Selection of Income Approach Valuation Model

Considering the length of the business history, capital structure, and financial data of the appraised entity, particularly with regard to future business models, income stability, development trends, anticipated changes in capital structure, and asset utilization, we adopted the discounted corporate free cash flow model for valuation calculations.

(3) Income Approach Calculation Formula

The specific estimation formula used in the current valuation is:

$$E = B - D \quad (1)$$

Whereas:

E: Value of entire shareholders' equity;

D: Value of interest-bearing debt of the target of valuation;

B: Enterprise value of the target of valuation;

$$B = P + \sum C_i \quad (2)$$

P: Value of the operating assets of the target of valuation;

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n} \quad (3)$$

Whereas:

R_i: Expected future earnings (free cash flow) for year i of the target of valuation;

R_n: Expected earnings (free cash flow) during the perpetual period of the target of valuation;

r: Discount rate;

n: Future operating period of the target of valuation.

C_i: Value of non-operating and surplus assets existing as of the valuation benchmark date.

① Income Period

In enterprise valuation, the income period typically refers to the number of years over which the enterprise is expected to generate future income. To reasonably forecast future income, the income period can be categorized into finite and infinite periods based on the enterprise's production and operational characteristics, as well as relevant laws, regulations, deeds and contracts.

Since the appraised entity was operating normally as of the valuation benchmark date, there were no restrictions on the useful life of core assets affecting the entity's continued operation, nor any limitations on the entity's production and operation period or investor ownership period. The entity could continue operations indefinitely through renewal. Therefore, the current valuation report assumes the appraised entity will operate perpetually after the valuation benchmark date, with a corresponding infinite income period. Since near-term revenues can be relatively reasonably forecasted, while long-term revenue projections are comparatively less reliable, following usual valuation practices, the valuer divides the income period into two stages: the definite forecast period and the post-definite forecast period.

That is: Value of operating business = value during the definite forecast period + value after the definite forecast period (terminal value).

Through comprehensive analysis, the valuer determined that the period from March to December 2025 through 2030 constitutes the definite forecast period. During this phase, based on the operating conditions and business plans of the subject enterprise, its earnings profile is subject to change. The period after 2030 represents the perpetual period, during which the subject enterprise is expected to maintain stable profitability.

② Discount Rate

Following the principle of consistency between income calculation and discount rate methodology, the income calculation for the current valuation is based on the enterprise's free cash flow. Therefore, the discount rate selected is the Weighted Average Cost of Capital ("**WACC**"). The WACC model can be expressed using the following mathematical formula:

$$WACC = R_d \times (1 - T) \times \frac{D}{D + E} + R_e \times \frac{E}{D + E}$$

Whereas: R_e: Cost of equity capital;

R_d: Cost of debt capital;

E: Market value of equity;

D: Market value of interest-bearing debt;

T: Income tax rate.

Of which, the cost of equity capital is determined using the Capital Asset Pricing Model ("**CAPM**"). The CAPM is a widely applied method for estimating investor returns and the cost of equity capital. The CAPM can be expressed by the following mathematical formula:

$Re = Rf + \beta \times MRP + Rs$

Whereas: Re: Equity return

Rf: Risk-free rate of return

β: Firm-specific risk coefficient

MRP: Market risk premium

Rs: Firm-specific risk adjustment coefficient

③ Determining the Value of Surplus Assets

Surplus assets refer to assets that are not directly related to the income of the appraised entity and exceed the assets required for its operations. Surplus assets are analyzed and valued separately.

④ Determination of Non-Operating Assets and Liabilities

Non-operating assets and liabilities refer to assets and liabilities unrelated to the production and operations of the appraised entity, and not involved in the projected free cash flow of the enterprise after the valuation benchmark date. Non-operating assets and liabilities are analyzed and valued separately.

⑤ Determination of Value of Interest-Bearing Liabilities

Interest-bearing liabilities refer to debts requiring interest payments as recorded on the balance sheet at the valuation benchmark date, including short-term borrowings, interest-bearing notes payable, long-term borrowings due within one year, long-term borrowings, bonds payable, and long-term accounts payable.

(4) Definition and Principles of the Income Approach

The income approach refers to a valuation methodology that determines the value of the valuation target by capitalizing or discounting its expected income. Two commonly used specific methods within the income approach are the income capitalization method and the discounted cashflow method. The expected income in the income approach can be expressed in terms of cash flow, various forms of profit or cash dividends, etc.

The foundation of the income approach is the economic theory of expected utility, which holds that for investors, a company's value lies in the income it is expected to generate in the future. While investors seek returns, they must also bear risks. When applying the income approach for valuation, the value of the valuation target is calculated by applying a capitalization rate or discount rate, which reflects the level of risks associated with the enterprise, to the projected future income (such as cash flow).

(5) Prerequisites for Applying the Income Approach

The enterprise possesses the foundation and conditions as a going concern, maintains a relatively stable relationship between operations and returns, and possesses future expected returns and risks that are predictable and quantifiable.

(6) Reasons and Bases for Selecting the Income Approach

After comprehensive analysis of the appraised entity's historical background, industry sector, asset scale, profitability and other factors, the valuer concludes that the overall asset of the appraised entity involved in the current valuation exhibit the following characteristics:

① The appraised entity possesses operating assets with clearly defined ownership rights that remain intact, and the enterprise possesses the ability to operate as a going concern.

② The appraised asset is an overall asset that can be measured monetarily based on its future returns, reflected in the way that the operating revenue of the enterprise can flow in in monetary terms, the corresponding costs and expenses can flow out in monetary terms, and the inflows and outflows of other economic benefits can also be measured in monetary terms. Therefore, the expected return from the profitability of the company's overall asset can be measured in monetary terms.

③ The risks borne by the appraised assets can be measured monetarily. The enterprise's risks primarily include industry risks, operational risks and financial risks. Industry risk can be determined by analyzing the operating conditions and profitability data disclosed by listed companies and other branded companies in the same industry, as well as the impact of relevant national industrial policies on the industry. Operational risks primarily include competition from other enterprises in the same industry, as well as rising prices in outsourcing services and maintenance services, etc. These risk factors can lead to a decline in the enterprise's income and an increase in costs and expenses, and the impact of such changes can be reflected in monetary terms. In terms of financial risk, the company pays service fees to outsourcing service providers and maintenance costs to suppliers, and these expenditures ultimately flow out of the enterprise in the form of actual currency. Based on the comprehensive risk analysis of the above aspects, the risks borne by the overall asset of the appraised entity can be measured in monetary terms.

The valuer is of the opinion that the income approach is theoretically and operationally appropriate for the current valuation project.

VII. TECHNICAL EXPLANATIONS ON THE INCOME APPROACH

(1) Projected Annual Cash Flows for the Forecast Period

The cash flow projection is based on the financial statements and operating performance of the appraised entity from 2020 to the valuation benchmark date. It incorporates the future operating forecasts provided by the appraised entity, the valuation assumptions and limitations aforementioned, and complies with current laws and regulations of the PRC. The projection is developed through a comprehensive analysis of national macroeconomic policies, industry development trends, market conditions, the company's competitive capabilities, historical performance record, and future growth prospects and potential.

The specific estimation formula used in the valuation is:

$$E = B - D \quad (1)$$

Where:

E: Value of the entire shareholders' equity;

D: Value of interest-bearing debt of the target of valuation;

B: Enterprise value of the target of valuation;

$$B = P + \sum C_i \quad (2)$$

P: Value of the operating assets of the target of valuation;

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n} \quad (3)$$

Whereas:

R_i: Expected future earnings (free cash flow) for year i of the target of valuation;

R_n: Expected earnings (free cash flow) during the perpetual period of the target of valuation;

r: Discount rate;

n: Future operating period of the target of valuation.

C_i: Value of non-operating and surplus assets existing as of the valuation benchmark date.

A. Determining the Income Period

In enterprise valuation, the income period generally refers to the number of years during which the enterprise is expected to generate future income. To reasonably forecast future income of the enterprise, the income period can be categorized into finite and infinite periods based on the characteristics of the enterprise's production and operations, as well as relevant laws, regulations, deeds and contracts.

As the appraised entity was operating normally on the valuation benchmark date, there were no restrictions on the useful life of core assets affecting the entity's continued operation, nor were there limitations on the entity's production and operation period or the investor ownership period. The entity could continue to operate indefinitely through renewal. Therefore, the valuation report assumes the appraised entity will operate perpetually after the valuation benchmark date, with a corresponding infinite income period. Since near-term income can be relatively reasonably forecasted, while long-term projections are less reliable, following usual valuation practice, the valuer divides the income period into two phases: the definite forecast period and the post-definite forecast period.

That is: Value of operating business = value during the definite forecast period + value after the definite forecast period (terminal value).

After comprehensive analysis, the valuer determined that the period from March to December 2025 through 2030 constitutes the definite forecast period. During this stage, based on the appraised entity's operational status and business plans, its earnings profile is subject to change. The period after 2030 represents the perpetual period, during which the appraised entity is expected to maintain profitability at a stable level.

B. Earnings Forecast for the Definite Forecast Period

1. Projection of Operating Revenue

1.1 Revenue of Principal Businesses

The principal business products of the Company include emulsion explosives and latex base. Its annual production capacity is: 28,000 tons of emulsion explosives (gel form) and 12,000 tons of emulsion explosives (gel form) (pre-mixed). Emulsion explosives production accounts for approximately one-third of Guangdong Province's market share, with an annual production value of approximately RMB200 million.

Historical annual operating revenue of Guangdong Nanhong Civil Explosives Co., Ltd. primarily stems from the sales revenue of emulsion explosives. Historical revenue data is shown as follows:

Amount Unit: RMB

No.	Item	Unit	2020	2021	2022	2023	2024	January to February 2025
1	Revenue of principal businesses		90,797,663.69	118,400,635.36	145,428,086.93	153,798,938.08	157,013,725.50	41,610,420.46
1-1	Emulsion explosives	RMB	90,758,218.68	118,400,635.36	145,428,086.93	153,798,938.08	157,013,725.50	41,610,420.46
	Sales price per unit		5,654.97	5,902.66	7,388.11	6,879.40	6,656.78	7,918.81
	Quantity (tons)		16,049.28	20,058.86	19,684.08	22,356.46	23,587.03	5,254.63

Through comparative analysis of the historical production data of the enterprise and market trends summarized by the marketing department, the company exhibits a stable and slightly increasing trend.

a. Determination of Quantity

Sales volume projections for the forecast period are based on historical sales data from 2022, 2023 and 2024, with the historical average sales volume calculated at 21,900.00 tons.

Item	2022	2023	2024
Sales volume of emulsion explosives (tons)	19,684.08	22,356.46	23,587.03
Historical annual average sales (tons)		21,900.00	

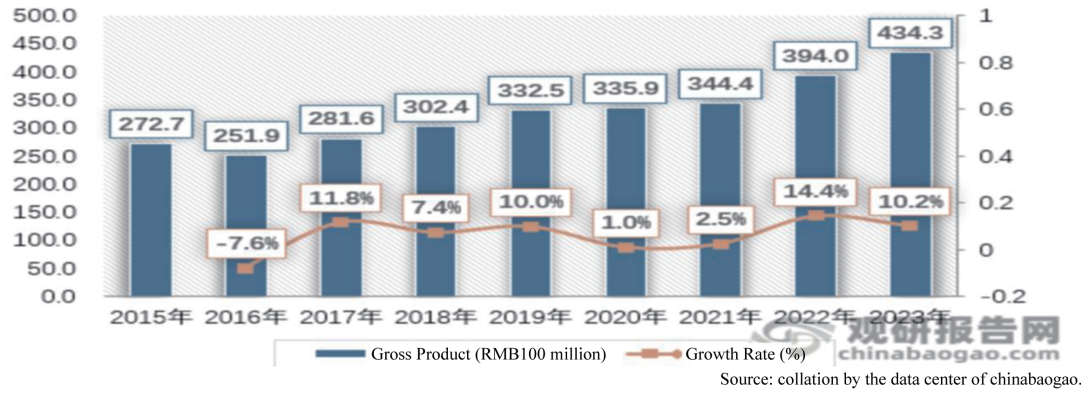
According to the industry research report "In-Depth Analysis of China's Civil Explosives Industry Status and Future Investment Research Report (2024-2031)", the historical compound annual growth rate ("**CAGR**") of the civil explosives industry in which the appraised entity operates is approximately 6%. Considering factors such as the appraised entity's production scale and industry position, a comprehensive adjustment of 65% is applied. This results in a projected CAGR of 3.90% for the first five years of the forecast period. The perpetual period is expected to remain stable based on the 2030 forecast. Sales volumes for the forecast period are as follows:

Item	Historical Annual Average Sales Volume	CAGR	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
Sales Volume of Emulsion Explosives (tons)	21,900.00	3.90%	17,745.00	22,754.10	23,641.51	24,563.53	25,521.51	26,516.85	26,516.85

According to the "In-Depth Analysis of China's Civil Explosives Industry Status and Future Investment Research Report (2024-2031)" published by chinabaogao.com (觀研報告網), the civil explosives industry, namely the civilian explosives and services industry, is widely used in many sectors of the national economy, such as mining, construction of railway and highway, water conservancy and hydropower projects, and infrastructure construction. It is considered an invisible cornerstone of the national economy, and its market is relatively stable.

Data shows that the gross output value of China's civil explosives industry increased from RMB27.27 billion in 2015 to RMB43.43 billion in 2023, with a CAGR of approximately 6%.

Gross Production and Growth Rate of China's Civil Explosives Industry, 2015-2023



Source: collation by the data center of chinabaogao.com

b. Determination of Sales Price Per Unit

Sales Price Per Unit

Historical data indicates significant fluctuations in the sales price per unit of emulsion explosives in previous years. To better align with market price trends, the current valuation of sales price per unit of emulsion explosives adopts the 2025 budgeted unit price of the enterprise, i.e. RMB6,553.85/ton (rounded) as the baseline for adjustment. Starting from 2026, the price will decrease at a 0.5% trend rate, stabilizing after 2029.

Starting in 2025, Guangdong Nanhong Civil Explosives Co., Ltd. expanded into new business areas by adding the latex base product to its portfolio. The enterprise will increase investments in sales and marketing, and has enhanced sales channel development, and integrated with future industrial trends, the business volume of the enterprise is anticipated to experience steady business growth in the coming years, with operating revenue reaching a stable phase after 2030.

Based on the calculations and analysis of the above data, sales revenue for the forecast period is as follows:

No.	Item	Unit	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
1	Revenue of principal businesses		116,268,131.58	155,519,486.10	161,716,116.23	168,102,141.84	174,660,157.17	182,244,213.30	182,244,213.30
1-1	Emulsion explosives	RMB	109,128,131.58	148,379,486.10	153,386,116.23	158,582,141.84	163,950,157.17	170,344,213.30	170,344,213.30
	Sales price per unit		6,149.80	6,521.00	6,488.00	6,456.00	6,424.00	6,424.00	6,424.00
	Quantity (tons)		17,745.00	22,754.10	23,641.51	24,563.53	25,521.51	26,516.85	26,516.85
1-2	Latex base	RMB	7,140,000.00	7,140,000.00	8,330,000.00	9,520,000.00	10,710,000.00	11,900,000.00	11,900,000.00
	Sales price per unit		2,380.00	2,380.00	2,380.00	2,380.00	2,380.00	2,380.00	2,380.00
	Quantity (tons)		3,000.00	3,000.00	3,500.00	4,000.00	4,500.00	5,000.00	5,000.00

Note: Sales price and volume of emulsion explosives from March to December 2025: The average annual production of the enterprise from 2022 to 2024 was 21,900.00 tons. The sales budget of the enterprise for 2025 is 23,000.00 tons. Given the enterprise has well-established sales budgeting system, which aligns its annual sales targets closely with market conditions, the 2025 sales volume is calculated based on the company's sales budget. The total sales budget for 2025 is 23,000.00 tons. Sales volume for January to February 2025 was 5,254.63 tons. Therefore, the sales volume for March to December 2025 is 23,000.00-5,254.63 = 17,745.00 (tons).

According to the meeting minutes clause agreed upon between Guangdong Nanhong Civil Explosives Co., Ltd. and Guangdong United Civil Explosives Co., Ltd.*（廣東聯合民爆有限公司）regarding preferential projects for each sales enterprise, the sales enterprise needs to allocate a portion of its profits to Guangdong United Civil Explosives Co., Ltd., and in January to February 2025, since the 2025 "Notice of Allocated Discount Amount" had not yet been issued, this resulted in extremely high sales price per unit for January to February 2025. Prices will be adjusted upon receipt of the subsequent "Notice of Allocated Discount Amount". The 2025 sales budget unit price of the enterprise is RMB6,553.85/ton, with a total sales volume of 23,000.00 tons. Thus, the total revenue of emulsion explosives for 2025 amounts to RMB150,738,552.04. The emulsion explosive revenue for January to February 2025 is RMB41,610,420.46. Therefore, the emulsion explosive revenue for March to December 2025 is RMB150,738,552.04 - RMB41,610,420.46 = RMB109,128,131.58. Thus, the unit price for emulsion explosives from March to December 2025 is: RMB109,128,131.58/ RMB17,745.00 = RMB6,149.80/ton.

1.2 Other Business Income

Other business income primarily consists of rental income and capacity cooperation fees, forecasted based on historical data analysis and existing lease agreements.

Rental income primarily originates from the leasing of self-owned assets, including the rental of detonating cord equipment (expiring in 2026) and the leasing of certain idle offices, office spaces, and parking lots.

Capacity cooperation fees represent revenue shares from Guangdong Nanhong Civil Explosives Co., Ltd.'s allocation of surplus production capacity quotas to other enterprises.

The rental agreement signed between Guangdong Nanhong Civil Explosives Co., Ltd. and Yahua Group Mianyang Industrial Co., Ltd.*（雅化集團綿陽實業有限公司）in 2021 specifies that the rental of detonating cord equipment would expire in 2026 (annual rent (tax inclusive): RMB1 million; annual rent (after tax deduction): RMB885,000). Upon expiration, the equipment is planned for scrapping and disposal. Therefore, rental income from such equipment is excluded from the forecast period starting in 2027. Other business income projections for the forecast period are detailed in the table below:

Amount Unit: RMB

No.	Item	Unit	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
2	Other business income	RMB	2,425,713.21	4,996,400.00	4,126,200.00	4,126,200.00	4,126,200.00	4,126,200.00	4,126,200.00
2-1	Rental Income	RMB	727,600.00	1,600,200.00	730,000.00	730,000.00	730,000.00	730,000.00	730,000.00
2-2	Other Income	RMB	1,698,113.21	3,396,200.00	3,396,200.00	3,396,200.00	3,396,200.00	3,396,200.00	3,396,200.00

1.3 Total Operating Revenue

In summary, the company's operating revenue for future years is as follows:

Unit: RMB

No.	Item	Unit	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
1	Main Business Revenue		116,268,131.58	155,519,486.10	161,716,116.23	168,102,141.84	174,660,157.17	182,244,213.30	182,244,213.30
1-1	Emulsion explosives	RMB	109,128,131.58	148,379,486.10	153,386,116.23	158,582,141.84	163,950,157.17	170,344,213.30	170,344,213.30
	Sales price per unit		6,149.80	6,521.00	6,488.00	6,456.00	6,424.00	6,424.00	6,424.00
	Quantity (tons)		17,745.00	22,754.10	23,641.51	24,563.53	25,521.51	26,516.85	26,516.85
1-2	Latex base	RMB	7,140,000.00	7,140,000.00	8,330,000.00	9,520,000.00	10,710,000.00	11,900,000.00	11,900,000.00
	Sales price per unit		2,380.00	2,380.00	2,380.00	2,380.00	2,380.00	2,380.00	2,380.00
	Quantity (tons)		3,000.00	3,000.00	3,500.00	4,000.00	4,500.00	5,000.00	5,000.00
2	Other business income	RMB	2,425,713.21	4,996,400.00	4,126,200.00	4,126,200.00	4,126,200.00	4,126,200.00	4,126,200.00
2-1	Rental income	RMB	727,600.00	1,600,200.00	730,000.00	730,000.00	730,000.00	730,000.00	730,000.00
2-2	Other Income	RMB	1,698,113.21	3,396,200.00	3,396,200.00	3,396,200.00	3,396,200.00	3,396,200.00	3,396,200.00
	Total Operating Revenue		118,693,844.79	160,515,886.10	165,842,316.23	172,228,341.84	178,786,357.17	186,370,413.30	186,370,413.30

2. Operating Cost Forecast

Operating costs primarily consist of production costs, which include fixed costs and variable costs. Fixed costs include the cost of wages of management personnel, while variable costs comprise material costs, costs of direct labor wages, utilities costs, and other costs.

Based on analysis of previous years' operation conditions, the historical operation costs of Guangdong Nanhong Civil Explosives Co., Ltd. primarily comprised production costs for emulsion explosives. The composition of historical annual operating costs is as follows:

Amount Unit: RMB

No.	Item	Unit	2020	2021	2022	2023	2024	January to February 2025
1	Cost of principal businesses	RMB	60,272,587.52	83,138,401.99	98,353,909.27	101,025,007.89	92,998,545.71	20,043,655.82
1-1	Emulsion explosives	RMB	60,251,504.27	83,138,401.99	98,353,909.27	101,025,007.89	92,998,545.71	20,043,655.82
	Cost per unit		3,754.16	4,144.72	4,996.62	4,518.83	3,942.78	3,814.47
	Quantity (tons)		16,049.28	20,058.86	19,684.08	22,356.46	23,587.03	5,254.63
2	Other operating costs	RMB	3,761,948.30	–	13,396,242.05	46,406,383.41	31,810,493.19	3,698,357.62
2-1	Rental income	RMB	3,761,948.30					
	Total operating costs	RMB	64,034,535.82	83,138,401.99	98,353,909.27	101,025,007.89	92,998,545.71	20,356,725.01

2.1 Cost of Principal Businesses

The principal products of the enterprise are emulsion explosives and latex base. Based on a comparison of actual production cost data from the historical years 2020 to 2024, emulsion explosives experienced significant price fluctuations from 2020 to 2022. To better align with market price trends, the weighted average tax-exclusive cost price for 2023 to 2024 was calculated at RMB4,230.00/ton (rounded), which serves as the projected cost per unit for emulsion explosives from March to December 2025. Based on industry insights and analysis, cost pricing in this sector is relatively transparent and stable. Therefore, subsequent cost projections indicate slight fluctuations while maintaining a stable baseline. Starting from 2026, costs are projected to decline at a rate of 1% to 2% annually, stabilizing after 2028. Adhering to the principle of "same-year production and sales", the projected production volume for each year equals the sales volume for that year. The main business costs for the forecast period are detailed in the table below:

No.	Item	Unit	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
1	Cost of Main Business Operations	RMB	79,113,718.94	99,232,769.24	102,532,690.22	105,892,554.84	110,487,036.12	115,234,361.77	115,234,361.77
1-1	Emulsion explosives	RMB	75,061,350.00	95,180,400.30	97,804,926.46	100,489,396.26	104,408,482.72	108,480,413.54	108,480,413.54
	Cost per unit		4,230.00	4,183.00	4,137.00	4,091.00	4,091.00	4,091.00	4,091.00
	Quantity (tons)		17,745.00	22,754.10	23,641.51	24,563.53	25,521.51	26,516.85	26,516.85
1-2	Latex base	RMB	4,052,368.94	4,052,368.94	4,727,763.76	5,403,158.58	6,078,553.40	6,753,948.23	6,753,948.23
	Cost per unit		1,350.79	1,350.79	1,350.79	1,350.79	1,350.79	1,350.79	1,350.79
	Quantity (tons)		3,000.00	3,000.00	3,500.00	4,000.00	4,500.00	5,000.00	5,000.00

2.2 Other Operating Costs

Guangdong Nanhong Civil Explosives Co., Ltd.'s other business income primarily consists of rental income and capacity cooperation fees.

Rental income primarily originates from the leasing of self-owned assets, including the rental of detonating cord equipment (expiring in 2026) and the leasing of certain idle offices, office spaces, and parking lot. Depreciation expenses for these relevant assets are accounted for under administrative expenses; therefore, the costs associated with this part of income are not recorded under the account of "Other Operating Costs".

Capacity cooperation fees represent revenue from sharing Guangdong Nanhong Civil Explosives Co., Ltd.'s surplus production capacity quotas with other enterprises. This part of income incurs no cost.

2.3 Total Cost of Sales

In summary, the costs of sales for future years of the enterprise are as follows:

Amount Unit: RMB

No.	Item	Unit	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
1	Cost of principal businesses	RMB	79,113,718.94	99,232,769.24	102,532,690.22	105,892,554.84	110,487,036.12	115,234,361.77	115,234,361.77
1-1	Emulsion explosives	RMB	75,061,350.00	95,180,400.30	97,804,926.46	100,489,396.26	104,408,482.72	108,480,413.54	108,480,413.54
	Cost per unit		4,230.00	4,183.00	4,137.00	4,091.00	4,091.00	4,091.00	4,091.00
	Quantity (tons)		17,745.00	22,754.10	23,641.51	24,563.53	25,521.51	26,516.85	26,516.85
1-2	Latex base	RMB	4,052,368.94	4,052,368.94	4,727,763.76	5,403,158.58	6,078,553.40	6,753,948.23	6,753,948.23
	Cost per unit		1,350.79	1,350.79	1,350.79	1,350.79	1,350.79	1,350.79	1,350.79
	Quantity (tons)		3,000.00	3,000.00	3,500.00	4,000.00	4,500.00	5,000.00	5,000.00
2	Other operating costs	RMB	–	–	–	–	–	–	–
2-1	Rental Income	RMB	–	–	–	–	–	–	–
	Total Cost of Sales	RMB	79,113,718.94	99,232,769.24	102,532,690.22	105,892,554.84	110,487,036.12	115,234,361.77	115,234,361.77

3. Taxes and Surcharges

The taxes and surcharges of Guangdong Nanhong Civil Explosives Co., Ltd. primarily include urban maintenance and construction tax, education surcharge, local education surcharge, stamp duty, and disability employment security funds. Assuming no significant changes in the tax base and rates of the appraised entity during the forecast period, the projected taxes and surcharges for future years are as follows:

Amount Unit: RMB

No.	Item	Applicable Tax Rate	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
1-1	Value-added tax – output		15,282,227.90	20,565,323.19	21,292,567.11	22,122,750.44	22,975,292.43	23,961,219.73	23,961,219.73
	Sales revenue		116,268,131.58	155,519,486.10	161,716,116.23	168,102,141.84	174,660,157.17	182,244,213.30	182,244,213.30
	Output tax	13.00%	15,114,857.11	20,217,533.19	21,023,095.11	21,853,278.44	22,705,820.43	23,691,747.73	23,691,747.73
	Service revenue (rent)		727,600.00	1,600,200.00	730,000.00	730,000.00	730,000.00	730,000.00	730,000.00
	Output tax	9.00%	65,484.00	144,018.00	65,700.00	65,700.00	65,700.00	65,700.00	65,700.00
	Other income – other businesses		1,698,113.21	3,396,200.00	3,396,200.00	3,396,200.00	3,396,200.00	3,396,200.00	3,396,200.00
	Output tax	6.00%	101,886.79	203,772.00	203,772.00	203,772.00	203,772.00	203,772.00	203,772.00
1-2	Value-added tax – input		11,810,085.04	13,546,150.55	14,007,465.79	14,418,029.33	15,017,844.63	16,731,722.78	16,564,580.50
	Cost of sales		79,113,718.94	99,232,769.24	102,532,690.22	105,892,554.84	110,487,036.12	115,234,361.77	115,234,361.77
	Input tax	13.00%	10,284,783.46	12,900,260.00	13,329,249.73	13,766,032.13	14,363,314.70	14,980,467.03	14,980,467.03
	Administrative expenses		3,956,570.51	4,516,059.43	4,543,081.74	4,575,402.81	4,608,584.61	4,646,504.89	4,646,504.89
	Input tax	6.00%, 9.00%, 13.00%	334,346.88	385,890.55	388,338.16	391,262.70	394,264.73	397,677.55	397,677.55
	Capital expenditures		9,161,190.00	2,000,000.00	2,229,830.00	2,005,650.00	2,002,040.00	10,412,140.00	9,126,430.11

No.	Item	Applicable Tax Rate	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
	Input tax	13.00%	1,190,954.70	260,000.00	289,877.90	260,734.50	260,265.20	1,353,578.20	1,186,435.91
1-3	Value-added tax – previous period deductibles		–						
1-4	Current period value-added tax payable		5,445,753.57	7,019,172.64	7,285,101.32	7,704,721.11	7,957,447.80	7,229,496.95	7,396,639.23
1-5	Current period value-added tax paid		5,445,753.57	7,019,172.64	7,285,101.32	7,704,721.11	7,957,447.80	7,229,496.95	7,396,639.23
1	Urban maintenance and construction tax	7%	381,202.75	491,342.08	509,957.09	539,330.48	557,021.35	506,064.79	517,764.75
2	Education surcharge	3%	163,372.61	210,575.18	218,553.04	231,141.63	238,723.43	216,884.91	221,899.18
3	Local education surcharge	2%	108,915.07	140,383.45	145,702.03	154,094.42	159,148.96	144,589.94	147,932.78
4	Property tax	1%	450,000.00	447,589.12	447,589.12	447,589.12	447,589.12	447,589.12	447,589.12
5	Stamp duty	0.03%	58,614.56	76,425.68	79,274.64	82,198.41	85,544.16	89,243.57	89,243.57
6	Land use tax	2%	45,258.56	45,258.56	45,258.56	45,258.56	45,258.56	45,258.56	45,258.56
7	Environmental protection tax	2%	–	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
8	Vehicle and vessel usage tax		9,640.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
	Total		1,217,003.54	1,414,574.07	1,449,334.48	1,502,612.62	1,536,285.57	1,452,630.89	1,472,687.96

Note: For January to February 2025, one revenue item has been recognized in the accounts but remains uninvoiced and untaxed. Consequently, the output tax associated with this revenue item (accounted for under "Other Payables – Deferred Output Tax") amounting to RMB1,973,610.70 will be added to the "Current Period Value-Added Tax Payable" in the Tax and Surcharges Forecast for March to December 2025.

4. Sales Expenses

Historical sales expenses of the appraised entity were included in administrative expenses. Therefore, this account is not estimated for the forecast period, resulting in zero sales expenses.

5. Administrative Expenses

The administrative expenses of the appraised entity primarily include office expenses, conference fees, travel and transportation expenses, business entertainment expenses, employee remuneration, fixed asset usage fees (including depreciation, maintenance and rental fees), property insurance fees, network maintenance fees, advertising fees, publication fees, pollution discharge fees, greening fees, fees for engagement of intermediaries, work safety fees, intangible asset amortization, low-value consumable amortization, and disability employment security fund. The composition of the appraised entity's historical administrative expenses is as follows:

Amount Unit: RMB

No.	Item	2020	2021	2022	2023	2024	January to February 2025
1	Office expenses	186,342.80	277,738.04	296,066.50	381,344.25	120,687.97	26,074.20
2	Conference fees	82,000.00	259,501.32	105,539.00	4,173.74	126,310.76	0.00
3	Travel and transportation expenses	13,587.38	24,144.89	15,782.92	25,252.50	12,967.27	1,466.00
4	Business entertainment expenses	304,737.90	664,218.55	368,140.49	371,289.60	414,074.94	163,432.00
5	Employee remuneration	13,119,893.92	26,304,176.71	20,724,792.02	20,836,872.25	18,928,765.97	2,980,892.31
6	Of which: Employee wages	10,023,725.95	19,434,848.96	13,461,173.81	14,181,433.37	11,711,394.02	1,688,484.93
7	Employee welfare expenses	696,143.11	690,963.04	967,879.15	864,776.59	1,050,091.18	113,494.87
8	Social security contributions	463,609.91	2,591,749.02	2,885,368.99	2,827,776.81	3,309,154.98	652,136.32
9	Housing provident fund	1,581,745.38	3,045,656.05	2,836,270.32	2,439,923.60	2,319,064.12	400,957.36
10	Trade union funds	354,669.57	540,959.64	574,099.75	522,961.88	539,061.67	125,818.83
11	Fixed asset usage fee	2,633,980.09	4,819,064.71	4,604,824.38	3,471,289.49	3,304,386.73	521,519.85
12	Of which: depreciation expense	2,055,327.85	3,927,111.23	3,971,937.45	3,237,326.97	3,102,115.16	510,524.09
13	Maintenance fee	269,235.60	772,731.11	618,629.51	222,972.42	190,270.47	10,995.76
14	Rental fee	309,416.64	119,222.37	14,257.42	10,990.10	12,001.10	0.00
15	Property insurance premiums	12,158.45	11,343.53	12,582.75	20,123.16	22,436.39	0.00
16	Network maintenance fee	63,515.72	218,775.68	141,999.66	105,703.42	84,862.18	0.00
19	Advertising fees	0.00	0.00	0.00	0.00	0.00	0.00
20	Publication fees	1,036.00	11,761.30	180.00	9,136.00	4,926.00	0.00
21	Pollution discharge fee	0.00	1,562.75	18,424.30	18,931.60	19,577.60	3,172.05
22	Greening fee	92,199.96	234,460.00	248,297.00	224,616.80	320,406.60	36,600.00
23	Fees for engagement of intermediaries	225,581.89	345,343.02	505,621.86	173,227.15	595,548.80	14,998.88
24	Of which: audit fees	11,881.19	8,677.38	89,052.86	23,584.90	37,735.85	0.00
25	Safety production expenses	2,015,953.27	2,015,953.27	2,292,003.18	2,450,922.60	2,491,237.30	417,986.32
26	Amortization of intangible assets	239,891.16	253,789.32	264,378.78	280,949.21	289,439.64	48,239.94
27	Amortization of low-value consumables	98,791.08	86,451.96	93,953.19	240,430.64	203,453.03	16,576.61
28	Disability employment security fund	0.00	40,712.30	89,360.05	12,842.39	9,605.60	0.00
29	Others	677,498.96	1,042,287.34	2,328,728.06	3,242,753.32	830,290.09	4,052,360.45
	Total administrative expenses	19,767,168.58	36,611,284.69	32,110,674.14	31,869,858.12	27,778,976.87	8,283,318.61

Management expenses for future years are forecasted based on data and historical levels of historical years. Publication costs are not estimated during the forecast period as they are non-operating expenses. Given the stable size and scale of management personnel at the appraised entity, with no anticipated expansion, expenses are expected to fluctuate slightly between 2026 and 2028, stabilizing after 2029. Other administrative expenses are determined annually based on historical data. Specific projected administrative expenses for future years are shown as follows:

Amount Unit: RMB

No.	Item	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
1	Office expenses	169,005.80	195,080.00	195,470.16	195,861.10	196,252.82	196,252.82	196,252.82
2	Conference fees	370,000.00	200,000.00	200,400.00	200,800.80	201,202.40	201,202.40	201,202.40
3	Travel and transportation expenses	152,134.00	153,600.00	153,907.20	154,215.01	154,523.44	154,523.44	154,523.44
4	Business entertainment expenses	458,568.00	560,000.00	561,120.00	562,242.24	563,366.72	563,366.72	563,366.72
5	Employee remunerations	16,050,254.04	19,309,785.23	19,340,196.17	19,370,657.26	19,385,884.32	19,385,884.32	19,385,884.32
6	Of which: Employee wages	9,759,495.02	11,726,618.83	11,741,863.44	11,757,127.86	11,757,127.86	11,757,127.86	11,757,127.86
7	Employee welfare expenses	1,257,654.36	1,371,149.23	1,373,891.53	1,376,639.31	1,379,392.59	1,379,392.59	1,379,392.59
8	Social security contributions	3,089,325.22	3,741,461.54	3,748,944.46	3,756,442.35	3,763,955.24	3,763,955.24	3,763,955.24
9	Housing provident fund	1,549,767.12	1,950,724.48	1,954,625.93	1,958,535.18	1,962,452.25	1,962,452.25	1,962,452.25
10	Trade union funds	394,012.32	519,831.15	520,870.81	521,912.55	522,956.38	522,956.38	522,956.38
11	Fixed asset usage fee	2,618,337.20	2,578,474.61	2,046,779.33	1,947,924.53	1,907,225.42	2,337,858.01	2,337,858.01
12	Of which: depreciation expense	2,281,532.96	2,230,674.61	1,698,979.33	1,600,124.53	1,559,425.42	1,990,058.01	1,558,623.69
13	Maintenance fee	308,004.24	319,000.00	319,000.00	319,000.00	319,000.00	319,000.00	319,000.00
14	Rental fee	28,800.00	28,800.00	28,800.00	28,800.00	28,800.00	28,800.00	28,800.00
15	Property insurance premium	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00	18,600.00
16	Network maintenance fee	280,000.00	280,000.00	280,000.00	280,000.00	280,000.00	280,000.00	280,000.00
19	Advertising expenses	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
20	Publication fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00
21	Pollution discharge fee	16,827.95	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
22	Greening fee	403,400.00	440,000.00	440,000.00	440,000.00	440,000.00	440,000.00	440,000.00
23	Fees for engagement of intermediaries	630,001.12	600,000.00	600,000.00	600,000.00	600,000.00	600,000.00	600,000.00
24	Of which: audit fees	80,000.00	80,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
25	Safety production expenses	2,089,931.40	2,602,579.43	2,629,211.58	2,661,141.71	2,693,931.79	2,731,852.07	2,731,852.07
26	Amortization of intangible assets	230,610.29	261,763.17	252,240.20	245,807.43	232,942.09	232,942.09	809,166.96
27	Amortization of low-value consumables	38,423.39	55,000.00	55,000.00	55,000.00	55,000.00	55,000.00	55,000.00
28	Disability employment security fund	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00
29	Others	-2,906,560.45	1,145,800.00	1,145,800.00	1,145,800.00	1,145,800.00	1,145,800.00	1,145,800.00
	Total administrative expenses	20,761,532.73	28,562,682.44	28,080,724.65	28,040,050.08	28,036,729.00	28,505,281.87	29,081,506.74

Note:

1. The projected conference fees and travel expenses exceed historical data because Guangdong Nanhong Civil Explosives Co., Ltd. expanded into new business areas from 2025 onwards, adding latex base products, and thereby incurring new relevant costs.

2. The projected amount of -RMB2,906,560.45 for other expenses from March to December 2025 is due to the sales policy of the enterprise. According to the meeting minutes clause agreed upon between Guangdong Nanhong Civil Explosives Co., Ltd. and Guangdong United Civil Explosives Co., Ltd. regarding preferential projects for each sales enterprise, the sales enterprise needs to allocate a portion of its profits to Guangdong United Civil Explosives Co., Ltd., and in January to February 2025, since the 2025 "Notice of Allocated Discount Amount" had not yet been issued, the enterprise provisionally accrued such part of expenses in January to February 2025, which is to be subsequently reversed upon receipt of the "Notice of Allocated Discount Amount". Consequently, negative amounts were recorded from March to December 2025.

6. Research & Development (R&D) Expenses

The appraised entity is a high-tech enterprise (Guangdong Nanhong Civil Explosives Co., Ltd.'s high-tech enterprise certificate was issued on 19 December 2022, which is valid for three years; renewal documents are currently submitted for review. It is assumed that the appraised entity passes the renewal assessment, with no significant changes during the forecast period). Its R&D expenses include labor costs, material costs, and fixed asset usage fees. R&D expense data for 2020 to January to February 2025 is as follows:

No.	Item	2020	2021	2022	2023	2024	January to February 2025
1	Labor costs	1,657,485.25	3,371,459.87	2,429,762.51	2,826,288.89	2,436,095.07	468,647.00
2	Of which: employee wages	1,657,485.25	3,371,459.87	2,429,762.51	2,826,288.89	2,436,095.07	468,647.00
3	Material cost	1,069,769.57	1,628,690.93	1,334,189.56	2,014,391.38	2,001,568.74	456,556.69
4	Fixed asset usage fees	1,255,060.80	1,753,564.16	2,817,717.63	2,782,727.58	2,697,426.15	452,694.76
5	Of which: depreciation expenses	1,255,060.80	1,753,564.16	2,817,717.63	2,782,727.58	2,697,426.15	452,694.76
6	Others	24,642.39	55,695.28	15,107.55	0.00	90,481.33	0.00
	Total R&D expenses	4,006,958.01	6,809,410.24	6,596,777.25	7,623,407.85	7,225,571.29	1,377,898.45

Of which: Historical data related to personnel and labor costs is as follows:

			Historical Data					
No.	Item	Unit	2020	2021	2022	2023	2024	January to February 2025
1	Number of R&D personnel	Persons	18	36	36.00	28.00	27.00	27.00
2	Average annual salary standard for R&D personnel	RMB/year	92,082.51	93,651.66	67,493.40	100,938.89	90,225.74	90,225.74
3	Total annual salary for R&D personnel	RMB	1,657,485.25	3,371,459.87	2,429,762.51	2,826,288.90	2,436,095.07	406,015.85

According to the requirements for high-tech enterprises, R&D expenses should account for 5% of sales revenue (for enterprises with revenue below 50 million), 4% (for enterprises with revenue between 50 million and 200 million), and 3% (for enterprises with revenue above 200 million), and calculated based on 4% of operating revenue.

Unit: RMB

No.	Item	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
1	Labor costs	2,030,079.23	2,440,967.26	2,445,849.19	2,450,740.89	2,450,740.89	2,450,740.89	2,450,740.89
2	Of which: employee wages	2,030,079.23	2,440,967.26	2,445,849.19	2,450,740.89	2,450,740.89	2,450,740.89	2,450,740.89
3	Material cost	2,033,443.31	1,686,930.68	2,727,130.45	3,339,225.07	3,707,509.16	5,135,138.02	4,010,788.23
4	Fixed asset usage fee	2,234,839.40	2,453,253.39	1,626,555.32	1,271,396.05	1,171,990.60	55,308.03	1,179,657.82
5	Of which: depreciation expense	2,234,839.40	2,453,253.39	1,626,555.32	1,271,396.05	1,171,990.60	55,308.03	1,179,657.82
6	Others	283,500.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00
	Total R&D expenses	6,581,861.94	6,781,151.33	6,999,534.97	7,261,362.02	7,530,240.64	7,841,186.95	7,841,186.95

Of which: Personnel and labor-related forecast data is as follows:

			Forecast Data						
No.	Item	Unit	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
1	Number of R&D personnel	Persons	27.00	27.00	27.00	27.00	27.00	27.00	27.00
2	Average annual salary standard for R&D personnel	RMB/year	90,225.74	90,406.19	90,587.01	90,768.18	90,768.18	90,768.18	90,768.18
3	Total annual salary for R&D personnel	RMB	2,030,079.23	2,440,967.26	2,445,849.19	2,450,740.89	2,450,740.89	2,450,740.89	2,450,740.89

7. Financial Expenses

Financial expenses comprise interest expenses, interest income, foreign exchange gains/losses, and other financial fees expenses. Historical data for the appraised enterprise from 2020 to January to February 2025 is as follows:

Unit: RMB

No.	Item	2020	2021	2022	2023	2024	January to February 2025
1	Interest income	-229,163.23	-496,657.82	-194,629.02	-386,084.57	-171,857.85	0.00
2	Interest expense	1,908,124.11	2,393,929.18	2,059,706.02	2,023,115.47	867,450.21	0.00
3	Foreign exchange gains and losses	0.00	0.00	0.00	0.00	0.00	0.00
4	Other (Handling fees)	6,844.00	9,502.00	3,490.00	8,350.00	5,899.00	1,599.00
	Total	4,006,958.01	6,809,410.24	6,596,777.25	7,623,407.85	7,225,571.29	1,377,898.45

The appraised enterprise had no relevant loans as of the valuation benchmark date. Interest income and handling fees were forecasted based on historical data averages, as detailed below:

Unit: RMB

No.	Item	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
1	Interest income	-295,678.50	-295,678.50	-295,678.50	-295,678.50	-295,678.50	-295,678.50	-295,678.50
2	Interest expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Foreign exchange gains and losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Other (Handling fees)	5,218.00	6,817.00	6,817.00	6,817.00	6,817.00	6,817.00	6,817.00
	Total	-290,460.50	-288,861.50	-288,861.50	-288,861.50	-288,861.50	-288,861.50	-288,861.50

8. Forecast of Non-Operating Income and Expenses

Historical non-operating income primarily consists of gains from fixed asset surpluses and disposals, additional input tax deductions, and gains from government subsidies. (Additional input tax deduction: under the Value-Added Tax Deduction Policy for Advanced Manufacturing Enterprises, from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are permitted to deduct 5% of their current period's deductible input tax from their payable value-added tax.)

Non-operating expenses primarily include losses from disposal of non-current assets, donation expenditures, sponsorship fees, etc. Donation expenditures primarily include contributions made to Gaoyao Charity Association*（高要慈善會）and the chamber of commerce; losses from disposal of non-current assets mainly consist of annual losses from scrapping fixed assets, etc.

The historical data for the appraised enterprise from 2020 to January to February 2025 is as follows:

No.	Item	2020	2021	2022	2023	2024	January to February 2025
1	I. Non-operating income	–	44,277.79	663,180.11	724,753.10	1,483,883.56	78,390.40
1-1	Gain on fixed asset surplus and disposal	–	–	651,750.44	1,265.49	322,831.86	–
1-2	Input tax deduction	–	–	–	716,994.29	660,951.70	78,390.40
1-3	Gains from government grant	–	–	–	–	500,000.00	–
1-4	Others	–	44,277.79	11,429.67	6,493.32	100.00	
2	II. Non-operating expenses	18,825.04	851,009.72	1,114,375.11	1,027,222.05	166,059.30	–
2-1	Loss on disposal of non-current assets	18,825.04	751,329.72	1,025,975.98	923,412.04	93,917.39	–
2-2	Donation expenses, sponsorship fees	–	97,680.00	20,000.00	77,560.00	65,000.00	–
2-3	Tax penalties and interest expenses	–	–	62,486.20	–	326.25	–
2-4	Compensation	–	–	–	26,250.00	6,815.66	–
2-5	Others	–	2,000.00	5,912.93	0.01	–	–
Net non-operating income and expenses		-18,825.04	-806,731.93	-451,195.00	-302,468.95	1,317,824.26	78,390.40

Assuming no changes to the additional input tax deduction policy for the appraised entity during the forecast period, and with stable expenditures such as donation expenses and losses from disposal of fixed assets, non-operating income and expenses are projected as follows:

No.	Item	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
1	I. Non-operating Income	2,536,613.05	645,013.00	666,462.49	688,301.61	718,165.74	749,023.35	749,023.35
1-1	Gain on fixed asset surplus and disposal							
1-2	Additional input tax deduction	536,613.05	645,013.00	666,462.49	688,301.61	718,165.74	749,023.35	749,023.35
1-3	Gain from government grant	2,000,000.00						
1-4	Others							
2	II. Non-operating expenses	235,000.00	235,000.00	235,000.00	235,000.00	235,000.00	235,000.00	235,000.00
2-1	Loss on disposal of non-current assets	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00
2-2	Donation expenses, sponsorship fees	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
2-3	Tax penalties and interest expenses							
2-4	Compensation							
2-5	Others	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Net non-operating income and expenses		2,301,613.05	410,013.00	431,462.49	453,301.61	483,165.74	514,023.35	514,023.35

9. Income Tax

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its Implementing Regulations, effective from 1 January 2008, the annual tax return for enterprise income tax of the appraised entity indicates that Guangdong Nanhong Civil Explosives Co., Ltd. is a high-tech enterprise (Guangdong Nanhong Civil Explosives Co., Ltd.'s high-tech enterprise certificate was issued on 19 December 2022, with a validity period of three years; materials are currently being submitted for renewal review. Assuming the appraised entity passes the renewal review and no significant changes occur during the forecast period). The income tax rate for high-tech enterprises is 15%. Details are shown in the table below:

Amount Unit: RMB

No.	Item	Unit	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
I	Total profit	RMB	13,611,801.18	25,223,583.51	27,500,355.91	30,273,925.38	31,968,093.07	34,139,836.67	33,543,554.73
II	Tax adjustment items	RMB	-5,220,998.98	-5,375,849.97	-5,924,464.84	-6,327,906.70	-6,636,097.72	-7,393,717.04	-6,943,977.13
1	Increase of taxable income items	RMB	183,427.20	224,000.00	224,448.00	224,896.90	225,346.69	225,346.69	225,346.69
1.1	Employee remunerations	RMB							
1.2	Business entertainment expenses	RMB	183,427.20	224,000.00	224,448.00	224,896.90	225,346.69	225,346.69	225,346.69
1.3	Donation expenses/ sponsorship expenses	RMB							
1.4	Tax arrears	RMB							
1.5	Others	RMB							
1.6	Fixed asset depreciation								
2	Reduction of taxable income items	RMB	5,404,426.18	5,599,849.97	6,148,912.84	6,552,803.60	6,861,444.41	7,619,063.73	7,169,323.82
2.1	Employee remunerations	RMB							
2.2	Non-taxable income	RMB							
2.3	Additional R&D expense deduction	RMB	5,404,426.18	5,599,849.97	6,148,912.84	6,552,803.60	6,861,444.41	7,619,063.73	7,169,323.82
2.4	Dividend tax exemption	RMB							
2.5	Additional deduction for expenses related to the placement of disabled persons	RMB							
III	Taxable income	RMB	8,390,802.21	19,847,733.54	21,575,891.07	23,946,018.68	25,331,995.35	26,746,119.63	26,599,577.60
	Corporate income tax tate applicable to the enterprise	15%	15%	15%	15%	15%	15%	15%	15%
IV	Income tax payable	RMB	1,258,620.33	2,977,160.03	3,236,383.66	3,591,902.80	3,799,799.30	4,011,917.94	3,989,936.64
V	Deferred income tax assets	RMB							
VI	Deferred income tax liabilities	RMB							
VII	Total income tax expense	RMB	1,258,620.33	2,977,160.03	3,236,383.66	3,591,902.80	3,799,799.30	4,011,917.94	3,989,936.64

10. Forecast of Capital Expenditures, Depreciation and Amortization

10.1 Capital Expenditures

Capital expenditures encompass not only expenditures for the renewal and upgrading of fixed assets, but also capital expenditures achievable through the enterprise's own production and operations. They serve as the safeguard for the enterprise to maintain its existing operational scale and production level and obtain sustainable returns. Capital expenditures primarily consist of two parts: normal renewal expenditures for existing assets (replacement expenditures) and capital expenditures for incremental assets (expansion expenditures).

(1) Normal renewal expenditures for existing assets are calculated as average annual capital expenditures based on estimated replacement costs divided by the economic useful life. The current valuation, on the basis of management projection, assumes that the replacement cost at the end of the period equals to the original replacement cost or appraised value on the benchmark date, with the equivalent amount of funds for each period's expenditure projected on average annually during the replacement period.

(2) As regards capital expenditures for incremental assets, the appraised entity has no plans to expand its production capacity in the foreseeable future, and the projected output of each product in the future will not exceed the highest historical output of the assessed entity. The output projected in this valuation is based on the current production capacity of the enterprise. Therefore, the enterprise has no need to expand its production capacity and has no need to increase capital expenditures for incremental assets.

Most of the production equipment of the appraised entity belongs to Class 0 equipment, with a service life of 5 years. In accordance with the current requirements of the Ministry of Industry and Information Technology, equipment should be gradually improved and renewed to ensure safe production (refer to "WJ9063-2010 Regulations on the Management of Service Life of Special Equipment for the Production of Civil Explosives" for details). Furthermore, in accordance with the requirements of the notice "Implementation Opinions on Accelerating the Transfer and Upgrading of the Civil Explosives Industry" issued by the Ministry of Industry and Information Technology on 28 February 2025:

a. By the end of 2026, over 10 typical cases of digital transformation in the civil explosives industry and application cases of "industrial internet + safe production" will be selected; by the end of 2027, more than 50% of enterprises will have a smart manufacturing capability maturity of level 3 or above, and the numerical control rate of key processes will reach 90%, promoting the unmanned process of civil explosives factories.

b. Provincial-level authorities in charge of the civil explosives industry should prioritize the upgrading of production lines and on-site mixing explosives ground stations that have been in operation for more than 10 years without systematic technical transformation. For those that have not undergone upgrading, experts should be organized annually to conduct safety assessments and demonstrations to ensure safety. By the end of 2027, all product production lines and on-site mixing explosives ground stations will be free of Class 0 special production equipment; all workshops (including transfer stations) with a hazard level of 1.1 in industrial explosives production lines will be free of fixed-position operators, promoting the overall upgrading of old equipment and benefiting civil explosives equipment manufacturers.

c. Preliminary estimates indicate an annual investment of RMB2 million for renewal, maintenance, and renovation.

In conjunction with normal renewal expenditures for existing enterprise assets, the projected annual capital expenditures are as follows:

Amount Unit: RMB

Item	Row	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
Total capital expenditures		9,161,190.00	2,000,000.00	2,229,830.00	2,005,650.00	2,002,040.00	10,412,140.00	9,126,430.11
I. Capital expenditures for the portion of existing assets during the forecast period that are not updated	1	0.00	0.00	0.00	0.00	0.00	0.00	4,965,550.82
II. Capital expenditures for the portion of existing assets during the forecast period that need to be updated	2	4,696,190.00	0.00	229,830.00	5,650.00	2,040.00	8,412,140.00	896,028.52
III. Capital expenditures for incremental assets	3	4,465,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	3,264,850.77

10.2 Forecast of Depreciation and Amortization

Forecast of depreciation is primarily based on the fixed assets required to maintain the current operational capacity of the enterprise and those needed for the future development of the enterprise, net of assets reaching the end of their economic life. This is combined with national and corporate depreciation policies for fixed assets to calculate the depreciation period and annual amounts for future years. All fixed asset depreciation is projected using the straight-line method.

The depreciation period is determined based on the asset status of the enterprise as of the benchmark date and the comprehensive depreciation period. The depreciation and amortization projections are as follows:

Amount Unit: RMB

Item	Row	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
Total depreciation and amortization		9,793,874.04	10,850,909.64	8,947,751.73	8,608,037.44	8,688,637.49	7,173,612.79	9,229,368.75
Depreciation of the portion of existing assets during the forecast period that is not updated	1	8,721,787.72	8,931,087.97	6,614,622.84	5,876,592.94	5,568,992.33	3,214,957.65	4,207,239.25
Depreciation of the portion of existing assets during the forecast period that is updated	2	370,856.74	446,815.35	469,645.54	474,393.92	475,459.91	1,286,553.23	1,229,035.38
Depreciation of incremental assets	3	372,083.33	1,093,000.00	1,493,000.00	1,893,000.00	2,293,000.00	2,320,916.67	2,893,000.00
Amortization of existing unamortized intangible assets and deferred expenses		329,146.25	380,006.33	370,483.36	364,050.58	351,185.24	351,185.24	900,094.12

11. Additional Working Capital for the Forecast Period

The increase in working capital refers to the additional operational funds required by the enterprise to maintain normal operations without altering current business and production conditions. This represents the new capital needed to sustain the enterprise's ongoing operational capacity. Examples include cash required for normal operations, purchase of inventory, basic funds needed for advancing payments on behalf of customers (accounts receivable), and accounts payable.

The turnover rates of accounts receivable, prepayments, inventory, other receivables, notes payable, and advances from customers of historical years of the Company are used to calculate the turnover rates in recent years. The average turnover rate in recent years is then used to calculate and predict the working capital.

The increase in working capital refers to the cash tied up in obtaining commercial credit from others as a result of changes in the business activities of an enterprise, as well as the cash and inventory required to be kept for normal operations. Simultaneously, providing commercial credit in economic activities can correspondingly reduce immediate cash payments. Therefore, estimating the increase in working capital, in principle, only requires the consideration of key factors such as the minimum cash required for normal operations, accounts receivable, and accounts payable. The increase in working capital defined in this report is as follows:

Additional Working Capital = Working capital for current period – Working capital for previous period

The forecast for working capital utilization and growth during the projection period is presented in the table below:

Amount unit: RMB

	Forecast Year						
	March to December 2025	**2026**	**2027**	**2028**	**2029**	**2030**	**Perpetual Period**
Total amount included in operating current assets	29,951,040.03	29,713,380.59	30,782,908.94	31,827,126.78	33,093,114.14	34,598,721.38	0.00
Total amount included in operating current liabilities	9,947,044.40	9,923,276.9 2	10,253,269. 02	10,589,255. 48	11,048,703. 61	11,523,436. 18	0.00
Working capital	20,003,995.64	19,790,103.67	20,529,639.92	21,237,871.29	22,044,410.53	23,075,285.20	0.00
Additional working capital	-6,649,465.24	-213,891.96	739,536.25	708,231.37	806,539.24	1,030,874.67	0.00

12. Free Cash Flow of the Enterprise for the Forecast Period

Formula for calculating free cash flow of the enterprise:

Free cash flow of the enterprise = Net income after tax + Depreciation and amortization + Interest expense × (1 - Income tax rate) - Capital expenditures – Additional working capital

The projected free cash flow for future years is shown in the table below:

Amount Unit: RMB

Item	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
I. Operating revenue	118,693,844.79	160,515,886.10	165,842,316.23	172,228,341.84	178,786,357.17	186,370,413.30	186,370,413.30
II. Total operating costs	107,383,656.65	135,702,315.59	138,773,422.81	142,407,718.06	147,301,429.84	152,744,599.98	153,340,881.92
Of which: Cost of sales	79,113,718.94	99,232,769.24	102,532,690.22	105,892,554.84	110,487,036.12	115,234,361.77	115,234,361.77
Taxes and surcharges	1,217,003.54	1,414,574.07	1,449,334.48	1,502,612.62	1,536,285.57	1,452,630.89	1,472,687.96
Selling expenses	–	–	–	–	–	–	–
Administrative expenses	20,761,532.73	28,562,682.44	28,080,724.65	28,040,050.08	28,036,729.00	28,505,281.87	29,081,506.74
Research and development expenses	6,581,861.94	6,781,151.33	6,999,534.97	7,261,362.02	7,530,240.64	7,841,186.95	7,841,186.95
Financial expenses	-290,460.50	-288,861.50	-288,861.50	-288,861.50	-288,861.50	-288,861.50	-288,861.50
Asset impairment loss							
Other							
III. Operating profit	11,310,188.13	24,813,570.51	27,068,893.42	29,820,623.78	31,484,927.33	33,625,813.32	33,029,531.38
Add: Non-operating income	2,536,613.05	645,013.00	666,462.49	688,301.61	718,165.74	749,023.35	749,023.35
Less: Non-operating expenses	235,000.00	235,000.00	235,000.00	235,000.00	235,000.00	235,000.00	235,000.00
IV. Total profit	13,611,801.18	25,223,583.51	27,500,355.91	30,273,925.38	31,968,093.07	34,139,836.67	33,543,554.73
Less: Income tax	1,258,620.33	2,977,160.03	3,236,383.66	3,591,902.80	3,799,799.30	4,011,917.94	3,989,936.64
V. Net profit	12,353,180.85	22,246,423.48	24,263,972.25	26,682,022.58	28,168,293.76	30,127,918.73	29,553,618.09
Add: Depreciation and amortization	9,793,874.04	10,850,909.64	8,947,751.73	8,608,037.44	8,688,637.49	7,173,612.79	9,229,368.75
Less: Capital expenditures	9,161,190.00	2,000,000.00	2,229,830.00	2,005,650.00	2,002,040.00	10,412,140.00	9,126,430.11
Less: Increase in working capital	-6,649,465.24	-213,891.96	739,536.25	708,231.37	806,539.24	1,030,874.67	–
VI. Equity free cash flow	19,635,330.13	31,311,225.09	30,242,357.73	32,576,178.65	34,048,352.01	25,858,516.86	29,656,556.73
Plus: Interest on interest-bearing debt after tax	–	–	–	–	–	–	–
VII. Enterprise free cash flow	19,635,330.13	31,311,225.09	30,242,357.73	32,576,178.65	34,048,352.01	25,858,516.86	29,656,556.73

(2) Determination of Discount Rate

The discount rate, also known as the expected rate of return on investment, is a critical parameter for determining asset value through the income approach. The discount rate applied to the overall asset valuation should reflect the risks associated with the cash flow contributions of the entire asset, including market risk, industry risk, operational risk, financial risk, and technological risk. Market risk arises from factors affecting all enterprises. Industry risk primarily refers to uncertainties in project returns stemming from industry-specific market characteristics, investment development characteristics and adjustments to national industrial policies. Enterprise-specific risk is categorized into operational risk and financial risk. Operational risk refers to uncertainties in future expected returns stemming from changes in market demand, shifts in the supply conditions of production factors, and competition among peer enterprises. It primarily originates from aspects such as market sales, production costs, and production technology. Financial risk, also known as financing risk, arises from financing decisions and denotes the impact of potential uncertainties in capital mobilization, fund allocation, and capital turnover during operations on future expected returns.

The discount rate is a function of cash flow risk; higher risk necessitates a higher discount rate, thus requiring alignment with cash flow characteristics. Multiple methods exist for determining the discount rate. Adhering to the principle of consistency between the scope of returns and the discount rate, the current valuation uses the weighted average cost of capital (WACC) as the discount rate, as the scope of returns is defined as the cash flow from invested capital.

Calculation formula: $$WACC = R_d \times (1 - T) \times \frac{D}{D + E} + R_e \times \frac{E}{D + E}$$

Where: Re: Cost of equity capital;

Rd: Cost of interest-bearing debt capital;

E: Market value of equity;

D: Market value of interest-bearing debt;

T: Income tax rate.

The current valuation employs the Capital Asset Pricing Model (CAPM) to determine the company's cost of common equity capital Re, the calculation formula is as follows:

$$Re = Rf + \beta \times MRP + Rs$$

Whereas: Re: Return on Equity

Rf: Risk-free rate

β: Enterprise risk coefficient

MRP: Market risk premium

Rs: Company-specific risk adjustment coefficient

Process for Selecting Parameters in the Model

1. Determination of the risk-free rate Rf

The risk-free rate, as found on the Chinabond.com.cn, refers to the yield to maturity of the PRC government bonds with a maturity of 10 years or more. It is calculated using historical risk premium data from the PRC securities market index, specifically the CSI 300 Index yield. The risk-free rate is determined to be 3.47% from the CSI 300 Index benchmark date of 31 December 2014 (1 January 2015) to 31 December of each subsequent year. See the table below for details:

No.	Year	Risk-Free Rate (Rf) China Government Bond Yields for Maturities Over 10 Years
1	2015	3.81%
2	2016	3.30%
3	2017	4.19%
4	2018	3.97%
5	2019	3.61%
6	2020	3.47%
7	2021	3.45%
8	2022	3.13%
9	2023	2.98%
10	2024	2.43%
11	Average	3.43%
12	Maximum	4.19%
13	Minimum	2.43%
14	Average after removing maximum and minimum values	3.47%

Note: Data source: 10jqka.com.cn/

2. Determining the Equity System Risk Coefficient β

The risk coefficient (Beta: β) refers to an assessment tool for evaluating the systematic risk of a security or investment portfolio relative to the overall market volatility. Currently in the PRC, Wind Information is a domestic company engaged in the research of β and provides formulas for calculating β values.

For the current valuation, we selected the β calculator published by such company to calculate the β values of the comparison companies, using the CSI 300 Index as the benchmark. The above β values include the β values reflecting the comparison companies' own capital structures.

The current valuation selected five companies, namely Tond Chemical (同德化工), China Gezhouba Group Explosive (易普力), Huhua Group (壺化股份), Jiangnan Chemical (江南化工), and Kailong Chemical (凱龍股份), whose industries, scale, and proportion of main business are relatively similar to Guangdong Nanhong Civil Explosives Co., Ltd. The average value of their unlevered beta was calculated as follows:

Discount Rate Forecast Table

Stock Code	Comparable Listed Companies	Debt-to-Equity Ratio (D/E)	Equity Capital Structure (E/(D+E))	Debt Capital Structure (D/(D+E))	Unlevered Beta (β_U)
002360	Tond Chemical	99.25%	50.19%	49.81%	0.6400
002096	China Gezhouba Group Explosive	2.91%	97.17%	2.83%	0.6600
003002	Huhua Group	0.35%	99.65%	0.35%	0.8400
002226	Jiangnan Chemical	31.79%	75.88%	24.12%	0.7600
002783	Kailong Chemical	68.09%	59.49%	40.51%	0.6500
Average		40.48%	76.48%	23.52%	0.7100

The current valuation was calculated based on the average capital structure of five comparable companies. The corporate income tax rate is 15%. Therefore,

The equity system risk coefficient β of the appraised entity is: $\beta = \beta u \times [1 + D/E \times (1 - T)]$

$= 0.7100 \times [1 + 40.48\% \times (1\text{-}15\%)]$

$= 0.9543$

(1) Adjustment of β Coefficient

The β coefficient estimated from historical data for comparable listed companies represents historical β. The discount rate is used to discount future expected returns, and the discount rate to be estimated should also be the future expected discount rate. Therefore, it is necessary to estimate the future expected β coefficient. In the current valuation, we employ the Blume Adjustment method to adjust the β coefficient estimated using historical data.

In practice, Blume proposed the following adjustment approach and method:

$$a = \beta h \times 0.65 + 0.35$$

Whereas: "a" represents the adjusted β value, and βh denotes the calculated historical β value.

Applying the formula $a = \beta h \times 0.65 + 0.35$ to adjust the equity system risk coefficient β for the appraised entity yields: $a = \beta h \times 0.65 + 0.35 = 0.9543 \times 0.65 + 0.35 = 0.9703$.

3. Determination of Market Excess Return Premium (ERP)

The risk premium is calculated using the China Securities Market Index, expressed by the following formula:

China market risk premium = China equity market risk premium – China risk-free rate

Whereas: The average return of the PRC stock market is calculated based on the monthly returns of the CSI 300 Index, annualized over the period from 31 December 2014, to 31 December of each subsequent year. Data is sourced from Wind Information and calculated using the geometric average method. The PRC risk-free rate is represented by the yield to maturity (compounded) of PRC government bonds with remaining maturities of 10 years or more as of the aforementioned benchmark date.

The risk premium for the Chinese market is estimated at 5.84%.

No.	Year	Risk-Free Rate (Rf)	Market Risk Premium (ERP)			
		PRC Government Bond Yields for Maturities Over 10 Years	ERP = Arithmetic Mean of Rm – Rf (10-year)	ERP = Geometric Mean of Rm – Rf (10-year)	ERP = Arithmetic Mean of Rm – Rf (10-year above)	ERP = Geometric Mean of Rm – Rf (10-year above)
1	2015	3.81%	20.08%	9.81%	19.64%	9.37%
2	2016	3.30%	17.18%	7.39%	16.74%	6.95%
3	2017	4.19%	15.97%	6.93%	15.36%	6.32%
4	2018	3.97%	14.42%	5.98%	14.07%	5.63%
5	2019	3.61%	13.94%	6.04%	13.51%	5.61%
6	2020	3.47%	14.14%	6.73%	13.61%	6.20%
7	2021	3.45%	14.00%	7.01%	13.58%	6.59%
8	2022	3.13%	12.29%	5.45%	11.93%	5.09%
9	2023	2.98%	11.15%	4.61%	10.89%	4.35%
10	2024	2.43%	10.62%	4.36%	10.41%	4.15%
11	Average	3.43%	14.38%	6.43%	13.97%	6.03%
12	Maximum	4.19%	20.08%	9.81%	19.64%	9.37%
13	Minimum	2.43%	10.62%	4.36%	10.41%	4.15%
14	Average after removing maximum and minimum values	3.47%	14.14%	6.27%	13.71%	5.84%

4. Determination of the Company-Specific Risk Adjustment Coefficient

The current valuation considers the potential specific individual risks arising from differences between the appraised entity and comparable listed companies in terms of financing conditions, capital liquidity, and corporate governance structure. The company-specific risk adjustment coefficient Rs is set at 2.65%, primarily based on the following factors:

No.	Factor	Characteristics of the Appraised Entity
1	Business stage of the enterprise	The business of the appraised entity is in a stable growth phase.
2	Historical operating performance	The appraised entity was established relatively early and has demonstrated steady growth in its operating performance.
3	Development stage of primary products	The business of the appraised entity is in a period of steady growth.
4	Business operations, products of the enterprise, and geographic distribution	The business and products of the appraised entity are primarily in the civil explosives industry, with a generally moderate scope of operations.
5	Internal management and control mechanisms of the company	The company possesses sound internal management and control mechanisms.
6	Experience and qualifications of management personnel	The management personnel possess extensive operational experience and deep industry expertise, demonstrating strong command over the sector's development trends.
7	Dependence on key customers and suppliers	The primary suppliers of the appraised entity are relatively stable, and the customer base of the appraised entity is reasonably stable.
8	Financial risks	As of the benchmark date, the appraised entity's revenue collection was satisfactory, and its financial risk is moderate.

5. Determination of Equity Capital Cost:

Re = 3.47% + 0.9703 × 5.84% + 2.65% = 11.78%

6. Determination of Expected Return on Creditor's Rights

According to the Loan Prime Rate (LPR) published by the National Interbank Funding Center authorized by the People's Bank of China, the LPR for loans over 5 years as of 28 February 2025 is 3.60%.

7. Determination of WACC

$$WACC = R_d \times (1-T) \times \frac{D}{D+E} + R_e \times \frac{E}{D+E}$$

$$= 3.60\% \times (1\text{-}15.00\%) \times 23.52\% + 11.78\% \times 76.48\%$$

$$\approx 9.73\%$$

The discount rate for the current valuation is set at 9.73%. The specific calculation process is as follows:

Discount Rate Forecast Table

Stock Code	Comparable Listed Companies	Debt-to-Equity Ratio (D/E)	Equity Capital Structure (E/(D+E))	Debt Capital Structure (D/(D+E))	Unlevered Beta (β U)
002360	Tond Chemical	99.25%	50.19%	49.81%	0.6400
002096	China Gezhouba Group Explosive	2.91%	97.17%	2.83%	0.6600
003002	Huhua Group	0.35%	99.65%	0.35%	0.8400
002226	Jiangnan Chemical	31.79%	75.88%	24.12%	0.7600
002783	Kailong Chemical	68.09%	59.49%	40.51%	0.6500
	Average	40.48%	76.48%	23.52%	0.7100

Weighted average cost of capital		
β coefficient incorporating financial leverage β_L	$\beta_U \times [1 + (1 - T) \times (D/E)]$	0.9543
β coefficient adjustment	$a = \beta h \times 0.65 + 0.35$	0.9703
Income tax rate T		15%
Risk-free rate R_f	10-year Chinese government bond yield	3.47%
Market risk premium R_m-R_f		5.84%
Specific risk return ε		2.65%
Equity expected return R_e	$R_f + \beta_L \times (R_m - R_f) + \varepsilon$	11.78%
Expected return on debt R_d	LPR over 5 years	3.60%
Equity capital structure E/(D+E)	Based on the capital structure of the listed company	76.48%
Debt capital structure D/(D+E)	Based on the capital structure of the listed company	23.52%
Weighted average cost of capital (WACC)	$R_d \times (1 - T) \times D/(D + E) + R_e \times E/(D + E)$	9.73%
Post-tax discount rate		**9.73%**

(3) Valuation Calculation Process and Conclusion

1. Determination of Value of Operating Assets

Free cash flows for each year during the forecast period are considered as mid-year inflows. Net profit, depreciation and amortization, and capital expenditures for the perpetual years after the forecast period are based on 2030. Changes in working capital are treated as zero. Then, the present value of the company's free cash flows for each year during the revenue period is calculated using the weighted average cost of capital up to 28 February 2025, thereby determining the value of the company's operating assets. The calculation formula is as follows:

$$P = \sum_{i=1}^{n} Ai/(1+r)^{i} + A\mathrm{n}/\mathrm{r}(1+r)^{-i} + N - D$$

Whereas: P represents the valuation amount

Ai represents the expected return for period i within the definite forecast period

r represents the discount rate (capitalization rate)

i represents the forecast period

An represents the revenue of the indefinite period

N represents the appraised value of surplus assets and non-productive assets

D represents non-operating liabilities and interest-bearing debt

Calculation process is shown in the table below:

Amount unit: RMB

Item	March to December 2025	2026	2027	2028	2029	2030	Perpetual Period
VII. Free cash flow of the enterprise	19,635,330.13	31,311,225.09	30,242,357.73	32,576,178.65	34,048,352.01	25,858,516.86	29,656,556.73
Discount rate	9.73%	9.73%	9.73%	9.73%	9.73%	9.73%	9.73%
Discount period (Months)	5.00	16.00	28.00	40.00	52.00	64.00	
Discount factor	0.9620	0.8835	0.8052	0.7338	0.6687	0.6094	6.2620
VIII. Present value of benefits	18,889,187.59	27,663,467.37	24,351,146.45	23,904,399.89	22,768,132.99	15,758,180.17	185,709,358.25
IX. Total present value of net cash flow (RMB10,000)				**31,904.39**			
Plus: Surplus and non-operating asset value (RMB10,000)				**2,278.42**			
Less: Non-operating liabilities (RMB10,000)				**11.08**			
X. Value of total shareholders' equity (RMB10,000)				**34,171.73**			

In summary, the value of operating assets is RMB319,043,900.

2. Determination of Surplus Assets (Liabilities), Non-Operating Assets, and (Liabilities)

(1) The receivable of RMB4.50 million from Guangdong Tiannuo Investment Co., Ltd.*（廣東天諾投資有限公司）(accounting description: intra-group transaction) arising on 27 February 2025, within the other receivables of the appraised entity, should be recognized as a non-operating asset.

(2) Guangdong Nanhong Civil Explosives Co., Ltd. holds a 51% equity interest in Huaxin Blasting, using the income approach to evaluate Huaxin Blasting, its total shareholder equity value is RMB22.7774 million (see the Asset Valuation Explanations of Huaxin Blasting for details). Therefore, the value of Nanhong Company's 51% equity interest is RMB11.6165 million. This portion of shareholder equity value should be recognized as non-operating assets.

(3) Among the other payables of the appraised entity, deposits and trade union fees payable to Zhaoqing Huaxing Paper Products Co., Ltd.*（肇慶華興紙品有限公司）and Gaoyao Liantang Rongjia Scrap Collection Station*（高要市蓮塘榮佳廢品收購站）totaling RMB110,828.38 (i.e., RMB110,800) due between 2023 and 2025 should be recognized as non-operating liabilities.

(4) The appraised entity's monetary funds balance on the valuation benchmark date was RMB17,432,605.84, with a monetary fund holding of RMB10,764,837.14. The surplus assets = RMB17,432,605.84 - RMB10,764,837.14 = RMB6,667,768.70 (i.e., RMB6.6678 million).

In summary, the surplus assets (liabilities), non-operating assets, and (liabilities) of the appraised entity are as follows:

Surplus assets and non-operating assets = 450.00 + 1,161.65 + 666.78 = 2,278.42 (RMB0'000)

Excess liabilities and non-operating liabilities = 11.08 (RMB0'000)

3. Determination of value of total shareholders' equity

Value of total shareholders' equity	=	enterprise value – interest-bearing debt value
	=	value of operating assets + surplus assets, non-operating assets – surplus liabilities, non-operating liabilities + other assets – value of interest-bearing debt
	=	31,904.39 + 2,278.42-11.08 + 0.00-0.00
	=	34,171.73 (RMB0'000)

VIII. BASIS OF VALUATION AND SCOPE OF WORK OF THE VALUER

Apart from the basis on economic behavior, law and regulations and valuation criteria, the Independent Valuer has referred to the following:

Basis of Title

1. Real estate ownership certificate:
2. Vehicle license;
3. Fixed asset purchase contract;
4. Business licenses of the principal and the appraised entity;
5. Articles of association, etc.;
6. Undertaking letter from the principal and undertaking letter from the appraised entity provided by the principal;
7. Valuation declaration form provided by the principal:
8. Other documents such as contracts and accounting vouchers related to the acquisition and use of enterprise assets.

Other Supporting Documents

1. Financial statements provided by the appraised entity;
2. Historical business operation records provided by the appraised entity;
3. Other relevant materials provided by the appraised entity;
4. Data verified and collected by the valuer during on-site inspections;
5. Handbook of Common Methods and Parameters for Asset Valuation (Machinery Industry Press);
6. Notice of the Provincial Development and Reform Commission on Issuing the Reference Standards for Technical Parameters Related to Price Valuation in Guangdong Province (Guangdong Provincial Development and Reform Commission (Price Division) [2018] No. 481);
7. Regulations on Mandatory Scrapping Standards for Motor Vehicles (Order No. 12 of 2012 issued jointly by the Ministry of Commerce, National Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection);
8. Hithink RoyalFlush Information Network (同花順財經網)(https://www.10jqka.com.cn/);
9. Market research materials.

Scope of Work of the Valuer

Upon accepting the engagement for asset valuation, our company selected asset valuation personnel and formulated an asset valuation project team to commence valuation work on 6 May 2025. The entire valuation process included accepting the engagement, conducting an asset inventory, performing valuation and estimation, summarizing the valuation, and submitting the report. The specific process is as follows:

(I) Pre-valuation preparatory phase

1. Understand the basic circumstances of the appraised entity and the target of valuation, analyze valuation risks, and sign the asset valuation engagement contract;

2. Clarify the objectives of valuation, target and scope of valuation;

3. Select the valuation benchmark date and determine key points of valuation, draft the valuation scheme and basic valuation approach;

4. Guide the appraised entity in collecting and preparing relevant valuation materials.

(II) On-site Valuation Phase

The project team's on-site valuation phase commenced on 14 May 2025. Primary tasks included:

In accordance with relevant asset valuation principles and regulations, assets within the scope of valuation were evaluated and their ownership was verified. Specific steps included:

1. to listen to relevant personnel introduce the enterprise's situation, history, and current status;

2. to review and verify the asset valuation form submitted by the enterprise, cross-referencing it with relevant financial records:

3. to develop specific valuation methodologies for various asset categories based on the actual conditions and characteristics of the assets engaged for valuation;

4. to assess and confirm the enterprise's assets and debts, calculating their assessed values.

(III) Valuation Consolidation Phase

Based on the preliminary valuation conclusions of various asset categories provided by each professional team, a consolidated preliminary valuation conclusion under the asset-based approach is formed. It is confirmed that no revaluation or omission occurred during the valuation process. According to the results of the consolidated analysis, the asset valuation conclusions are adjusted, revised, and refined, followed by the selection of the final valuation results.

(IV) Report Submission Stage

1. to prepare the asset valuation report and compile the working papers;

2. to conduct internal review and verification of valuation conclusions within the valuation institution;

3. to submit the asset valuation report and provide relevant materials as required.

IX. VALUATION CONCLUSION

(I) Valuation Conclusion of the Asset-Based Approach

As of the valuation benchmark date of 28 February 2025, on the basis of continued operation, the audited book value of total assets for Guangdong Nanhong Civil Explosives Co., Ltd. was RMB117,096,147.70, with an assessed value of RMB350,505,072.36, representing an increase of RMB233,408,924.66 and a value addition rate of 199.33%; the book value of total liabilities was RMB9,659,424.08, and the assessed value was RMB9,659,424.08, with no increase nor decrease in value; book value of shareholders' equity is RMB107,436,723.62, with an assessed value of RMB340,845,648.28, representing an increase of RMB233,408,924.66 and a value addition rate of 217.25%.

For detailed valuation results, please refer to the following Summary Table of Asset Valuation Results;

Summary Table of Asset Valuation Results

Amount Unit: RMB

Item		Book Value	Assessed value	Increase/Decrease	Value Addition Rate %
		A	B	C=B-A	D=C/A × 100
1	Current Assets	47,369,825.27	48,460,503.03	1,090,677.76	2.30
2	Non-current assets	69,726,322.43	302,044,569.33	232,318,246.90	333.19
3	Of which: Debt investments	–	–	–	–
4	Other debt investments	–	–	–	–
5	Long-term receivables	–	–	–	–
6	Long-term equity investments	7,399,600.00	11,616,500.00	4,216,900.00	56.99
7	Other equity instruments investments	–	–	–	–
8	Other non-current financial assets	–	–	–	–
9	Investment property	–	–	–	–
10	Fixed assets	55,289,393.25	92,505,670.00	37,216,276.75	67.31
11	Construction in progress	–	–	–	–
12	Productive biological assets	–	–	–	–
13	Oil and gas assets	–	–	–	–
14	Right-of-use assets	–	–	–	–
15	Intangible assets	5,918,894.07	197,922,399.33	192,003,505.26	3,243.91
16	Development expenditures	–	–	–	–
17	Goodwill	–	–	–	–
18	Long-term deferred expenses	1,118,435.11	–	-1,118,435.11	-100.00
19	Deferred income tax assets	–	–	–	–
20	Other non-current assets	–	–	–	–
21	Total assets	117,096,147.70	350,505,072.36	233,408,924.66	199.33
22	Current liabilities	9,659,424.08	9,659,424.08	–	–
23	Non-current liabilities	–	–	–	–
24	Total liabilities	9,659,424.08	9,659,424.08	–	–
25	Net assets (Shareholders' equity)	107,436,723.62	340,845,648.28	233,408,924.66	217.25

(II) Conclusions of the Income Approach Valuation

The value of the entire shareholders' equity in Guangdong Nanhong Civil Explosives Co., Ltd. assessed using the income approach as of the valuation benchmark date is RMB341,717,300.00. The assessed value represents an increase of RMB234,280,576.38 over the book value of shareholders' equity, with a value addition rate of 218.06%.

X. VALUATION CONCLUSION ANALYSIS AND FINAL VALUATION CONCLUSION

Explanations on the Selection of Valuation Conclusion

Upon comparing the valuation results from the asset-based approach and the income approach, the difference between the income approach and the asset-based approach is RMB871,651.72, representing a variance rate of 0.26%. The primary reasons for this difference are as follows:

The asset-based approach indirectly evaluates fair market value from the perspective of asset replacement. It uses the cost of asset replacement as the valuation standard, reflecting the necessary social labor expended in the investment of assets (acquisition or construction costs). These costs typically fluctuate with changes in the national economy. The asset-based approach determines the enterprise value from a static perspective, disregarding future development and discounted cash flows. It also excludes factors not reflected in financial statements, such as human resources, customer relationships and synergistic elements. Consequently, its valuation fails to encompass the full value of all assets of the enterprise.

The income approach takes the expected returns from assets as the value standard, reflecting operational capability of assets. This profitability is typically influenced by macroeconomic conditions, government regulations, corporate management, and the effective utilization of assets. The income approach assessment considers not only the value of all tangible assets, intangible assets, and liabilities listed on the company's balance sheet, but also factors unlisted on the balance sheet, such as human resources, marketing networks, and stable customer bases. Considering the industry and operational characteristics of Guangdong Nanhong Civil Explosives Co., Ltd., analysis indicates that the income approach yields results more accurately reflect the company's true enterprise value. Therefore, the current valuation adopts the income approach results as the reference basis for value, namely:

The value of the entire shareholders' equity of Guangdong Nanhong Civil Explosives Co., Ltd. as of the valuation benchmark date is RMB341,717,300.00, written in words: RMB **Three hundred forty-one million seven hundred seventeen thousand three hundred yuan**.

Comparison of Changes in Valuation and Book Value with Explanations

The net assets have a valuation appreciation of RMB233,408,924.66, representing an appreciation rate of 217.25%, as follows:

1. The current assets have a valuation appreciation of RMB1,090,677.76, representing an appreciation rate of 2.30%. The reason for the appreciation is that the market price of the finished products of the enterprise yielded a certain profit after deducting sales expenses, all taxes and an appropriate amount of net profit after tax, thus resulting in the appreciation in valuation.

2. Long-term equity investments have a valuation appreciation of RMB4,216,900.00, representing an appreciation rate of 56.99%. The reason for the appreciation is the overall strong operating performance of the investee company during the holding period of the long-term equity investments, yielding investment returns and consequently increasing the enterprise's long-term equity investments, leading to the valuation appreciation.

3. Fixed assets have a valuation appreciation of RMB37,216,276.75, representing an appreciation rate of 67.31%. The reasons for the appreciation are:

   (1) Building and structural assets have a valuation appreciation of RMB29,659,410.79, representing an appreciation rate of 95.36%. The reason for the appreciation is the accrue depreciation period adopted by the enterprise being shorter than the economic life adopted in the valuation, resulting in an appreciation of the net assessed value.

   (2) Equipment assets have a valuation appreciation of RMB7,556,865.96, representing an appreciation rate of 31.25%. The reason for the appreciation is the valuation employed an economic life longer than the enterprise's accounting depreciation period.

4. Intangible assets have a valuation appreciation of RMB192,003,505.26, representing an appreciation rate of 3,243.91%. The reasons for the appreciation are:

   (1) Land use rights, being intangible assets, have a valuation appreciation of RMB191,833,082.35, representing an appreciation rate of 3,295.30%. The reason for the appreciation is the increased land market prices, leading to the valuation appreciation of land use rights.

   (2) Other intangible assets have a valuation appreciation of RMB170,422.91, representing an appreciation rate of 174.84%. The reasons for the appreciation are: first, the economic life adopted in the valuation exceeds the accounting depreciation period of the enterprise; second, the existence of off-balance sheet patent assets, leading to the valuation appreciation.

5. Long-term deferred expenses have a valuation depreciation of RMB1,118,435.11, representing a 100.00% impairment rate. The reason for the impairment is that they have already been assessed in the corresponding buildings and structures, and no double counting is made herein.

The valuation conclusions contained in this asset valuation report do not take into account the possible impact of factors such as controlling rights and equity liquidity on the value of the equity interest.

XI. VALIDITY PERIOD OF VALUATION CONCLUSION

The validity period for using the valuation conclusion is one year from the valuation benchmark date, i.e. from 28 February 2025 to 27 February 2026. Beyond this one-year period, a new asset valuation shall be conducted.

XII. EXPLANATIONS TO SPECIAL MATTERS

(I) Incomplete or Flawed Key Information Regarding Ownership and Other Matters

The appraised entity, Guangdong Nanhong Civil Explosives Co., Ltd., possesses 143 items of buildings and structures within the scope of the current valuation, of which 90 items lack title certificates. For details, see "Fixed Assets – Buildings Valuation Schedule". Guangdong Nanhong Civil Explosives Co., Ltd. warrants that the ownership of buildings and structures for which title has not yet been obtained remains its sole property, and there are no ownership disputes.

(II) Unresolved Matters, Contingencies, Legal Disputes, and Other Uncertainties

As of the date of the valuation report, based on the information provided by the principal, no unresolved matters, contingencies, legal disputes, or other uncertainties that could affect the valuation results have been identified.

(III) Significant Subsequent Events

1. If, after the valuation benchmark date and within the validity period of the valuation results, changes occur in the asset classification or pricing standards that significantly impact the valuation results, the current valuation conclusion cannot be applied directly. The principal should promptly engage the valuation institution to adjust the conclusion or re-determine the assessed value.

2. As of the date of the valuation report, Guangdong Nanhong Civil Explosives Co., Ltd. obtained the following permits: a Safety Production Permit with the serial number (Yue) MB An Xu Zheng Zi [No. 03] on 9 April 2025 and 9 July 2025, respectively, and a Civil Explosives Production Permit with the serial number MB Sheng Xu Zheng Zi [No. 010]. Huaxin Blasting obtained a Grade I qualification for the Blasting Operation Unit Permit (Commercial) with the serial number 4400001300228 on 17 July 2025.

(IV) Other Matters Requiring Clarification

1. Pursuant to the Small and Micro Enterprise Revolving Loan Guaranteed Loan Contract (Contract No.: Zhao Nong Shang Jie Zi 2024 No. 10020249915265296) entered into between Guangdong Nanhong Civil Explosives Co., Ltd. and Jindu Sub-branch of Zhaoqing Rural Commercial Bank Co., Ltd.*（肇慶農村商業銀行股份有限公司金渡支行）on 2 July 2024, and the Reply on Credit Facility of RMB9,994,600 and RMB9,600,000 Refinancing Mortgage Loan for the Related Party Clients of Guangdong Nanhong Civil Explosives Co., Ltd., the lender agrees to provide Guangdong Nanhong Civil Explosives Co., Ltd. with a maximum loan balance of RMB9,600,000.00 from 2 July 2024 to 1 July 2027. Of which, Guangdong Nanhong Civil Explosives Co., Ltd. provides collateral security through 7 plots of land and 53 structures located in Lizhi Village, Zhen'an Village and Luole Village of Lizhi Village Committee of Liantang Town, Gaoyao District, Zhaoqing.

2. The physical asset inspection for the current valuation was conducted through a random sampling method. Should discrepancies arise between the actual physical assets owned by the enterprise and the random sampling results, adjustments based on actual circumstances are recommended. Report users are advised to take note of this.

3. The valuation conclusions in this report have not taken into consideration potential fees or taxes associated with property registration or ownership transfer processes for the assets that are engaged for valuation. Nor do they consider changes in tax obligations that may arise from increases or decreases in the assessed value.

4. The valuation institution and valuers shall not be held liable for any other defects affecting the assessed value of assets that may exist in the appraised entity, provided such defects were not specifically disclosed by the principal at the time of engagement and could not reasonably be ascertained by the valuers based on their professional experience.

The valuation conclusion is issued by Guangdong Mingliang Land and Real Estate Assets Appraisal Co., Ltd. and is subject to the professional competence and capabilities of the valuers of this institution. Users of this valuation report are advised to consider the impact of the above special matters on the valuation conclusion.

Asset valuer: Ms. Zhang Yating*（張亞婷）
(trainee practicing member 44250089)

Asset valuer: Mr. Wang Yong*（黃勇）
(practicing member 22210072)

Guangdong Mingliang Land and Real Estate Assets Appraisal Co., Ltd.*
（廣東銘亮土地房地產資產評估有限公司）
24 July 2025

The above content is extracted from the text of the asset valuation report. Please refer to the text of the report for details of the valuation and properly understanding of the valuation conclusion.

* *For identification purpose only*

The following is the text of a report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for inclusion in this circular.

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE 100% EQUITY INTERESTS IN GUANGDONG NANHONG CIVIL EXPLOSIVES CO., LTD.*

TO THE BOARD OF DIRECTORS OF HING YIP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the valuation prepared by Guangdong Mingliang Land and Real Estate Assets Appraisal Co., Ltd.*(廣東銘亮土地房地產資產評估有限公司) dated 24 July 2025, of the 100% equity interests of Guangdong Nanhong Civil Explosives Co., Ltd.*(廣東南虹民爆有限公司)(the "**Target Company**") as at 28 February 2025 (the "**Valuation**") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Valuation (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.60A(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions adopted by the Directors.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hong Kong, 24 October 2025

The following is the text of a letter from the Board prepared for inclusion in this circular.

To: The Stock Exchange of Hong Kong Limited

Dear Sir/Madam,

Company	:	Hing Yip Holdings Limited (Stock Code: 00132) (the "**Company**")
Re	:	Profit Forecast – Confirmation letter under the requirements of Rule 14.60A(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")

We refer to the valuation report dated 24 July 2025 prepared by Guangdong Mingliang Land and Real Estate Assets Appraisal Co., Ltd.*(廣東銘亮土地房地產資產評估有限公司)(the "**Valuer**") in relation to the valuation on the 100% equity interests of Guangdong Nanhong Civil Explosives Co., Ltd.*(廣東南虹民爆有限公司)as at 28 February 2025 (the "**Valuation**"), which is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the "**Profit Forecast**").

We have reviewed the bases and assumptions of the Profit Forecast and discussed the same with the Valuer. We have also considered the letter dated 24 October 2025 from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, on whether the Profit Forecast, so far as the arithmetical accuracy of the calculations are concerned, has been properly compiled in all material respects in accordance with the assumptions on which the Valuation is based. Based on the foregoing, pursuant to the requirements of Rule 14.60A(3) of the Listing Rules, the Board confirms that the Profit Forecast has been made after due and careful enquiry.

By order of the Board
Hing Yip Holdings Limited
HE Xiangming
Chairman

Hong Kong, 24 October 2025

* *For identification purposes only.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or (ii) entered in the register required to be kept under Section 352 of the SFO or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company were as follows:

Long positions in the Shares

Name of Director	Capacity	Nature of interest	Number of Shares held	Approximate percentage of total issued Shares as at the Latest Practicable Date[1]
He Xiangming	Beneficial owner	Personal	1,441,000	0.08%

Note: 1. The percentage was calculated based on 1,712,329,142 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, none of the Directors and chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or which were entered in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests and short positions of the Shareholders in the Shares and underlying Shares of the Company

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the interests and short positions of the Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:–

Name of Shareholder	Capacity of Shareholder	Number of Shares/underlying Shares		Approximate percentage of total issued Shares as at the Latest Practicable Date[1]
		Long position	Short position	
Glories Holdings (HK) Limited	Beneficial Owner	1,441,439,842[2]	–	84.18%
Prize Rich Inc.	Corporate Interest	1,441,439,842[2]	–	84.18%
廣東南海控股集團有限公司 (Guangdong Nanhai Holding Group Co., Ltd.*)	Corporate interest	1,441,439,842[2]	–	84.18%

Notes: 1. The percentage was calculated based on 1,712,329,142 Shares in issue as at the Latest Practicable Date.

2. These 1,441,439,842 Shares/underlying Shares are held by Prize Rich Inc., which is wholly-owned by Guangdong Nanhai Holding Group Co., Ltd.*（廣東南海控股集團有限公司）. On 25 July 2022, Prize Rich Inc. agreed to transfer 1,222,713,527 Shares and HK$166,232,000 convertible bonds (with underlying Shares of 218,726,315) to its wholly-owned subsidiary, Glories Holdings (HK) Limited, pursuant to the equity and convertible bonds transfer agreement.

Saved as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than directors and chief executives of the Company) who had interests or short positions in the Shares and underlying Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept under Section 336 of the SFO.

As at the Latest Practicable Date, no Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or his or her respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

(a) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and

(b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. MATERIAL CONTRACTS

The following contracts were entered into by the Group within the two years immediately preceding the date of this circular and which is or may be material or of significance:

(a) the equity transfer agreement dated 6 December 2023 entered into between CIH Finance Investments Holdings Limited ("**CIH Finance**"), a wholly owned subsidiary of the Company, and Guangdong Nanhai Holding Group Co., Ltd.*（廣東南海控股集團有限公司）in relation to the disposal of 72% equity interest of Guangdong Sino Rock Tyco Construction Co., Ltd.*（廣東中岩泰科建設有限公司）at a consideration of RMB972,000,000;

(b) the seventh capital injection agreement dated 4 June 2024 entered into among CIH Finance, Guangdong Zhongchuang Xingke Investments Co., Ltd.*（廣東中創興科投資有限公司）, Foshan City Yueqiao Construction Investment Co., Ltd.*（佛山市粵樵建設投資有限公司）, Foshan City Nanhai Dali Water Supply Company*（佛山市南海大瀝自來水公司）, Foshan Huaxing Glass Co., Ltd.*（佛山華興玻璃有限公司）, Foshan City Nanhai District Lianzhifu Investment Co., Ltd.*（佛山市南海區聯智富投資有限公司）, Foshan City Nanhai Zhizao Investment Co., Ltd.*（佛山市南海智造投資有限公司）and Canton Greengold Financial Leasing Ltd.*（廣東綠金融資租賃有限公司）("**Greengold Leasing**"), a subsidiary of the Company, pursuant to which CIH Finance agreed to contribute RMB140,907,030.57 in cash to the capital of Greengold Leasing to provide working capital for its operation;

(c) the equity transfer agreement dated 14 March 2025 entered into among Guangdong Zhongchuang Xingke Asset Management Co., Ltd.*(廣東中創興科資產管理有限公司)("**Zhongchuang Xingke**"), a wholly owned subsidiary of the Company, Guangdong Nanshan Pharmaceutical Innovation Research Institute*(廣東省南山醫藥創新研究院), Mr. Zhou Rong*(周榮), Respiratory Research Institute Equity Investment (Foshan) Center (Limited Partnership)*(呼研所股權投資(佛山)中心(有限合夥)) ("**Vendor 1**"), Foshan Ruifa Equity Investment Center (Limited Partnership)*(佛山瑞發股權投資中心(有限合夥)) ("**Vendor 2**"), Guangzhou Ruifa No. 1 Health Investment Center (Limited Partnership)*(廣州瑞發一號健康投資中心(有限合夥)) (together with Vendor 1 and Vendor 2, collectively the "**Vendors**") and Respiratory Research Institute of Medical Technology (Guangzhou) Co., Ltd.*(呼研所醫藥科技(廣州)有限公司)("**Respiratory Research Institute**"), pursuant to which Zhongchuang Xingke conditionally agreed to purchase from the Vendors, the sale shares, representing 51% of the equity of Respiratory Research Institute, at the total consideration of RMB54,435,300, subject to adjustment (if any); and

(d) the Equity Transaction Agreement.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one (1) year without payment of compensation (other than statutory compensation).

8. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Guangdong Mingliang Land and Real Estate Assets Appraisal Co., Ltd.* (廣東銘亮土地房地產資產評估有限公司)	Independent Valuer
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

As at the Latest Practicable Date, the above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their letter and report (as the case may be) and references to their names in the form and context in which they respectively appear. As at the Latest Practicable Date, each of the above experts:

a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

b) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2024), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The branch share registrar of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(c) The Company's head office and principal place of business in Hong Kong is at Unit 501, Wing On Plaza, 62 Mody Road, Tsimshatsui, Kowloon, Hong Kong.

(d) The company secretary of the Company is Mr. Lo Tai On, who is a member of the Hong Kong Institute of Certified Public Accountants.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://hingyiphk.quamhkir.com) for a period of 14 days from the date of this circular (both days inclusive):

(a) the Equity Transaction Agreement;

(b) the Valuation Report, a summary of which is set out in Appendix II to this circular;

(c) the letter from the reporting accountants as set out in Appendix III to this circular;

(d) the written consents referred to in the paragraph headed "Expert and Consent" in this Appendix; and

(e) this circular.

* *For identification purpose only*