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VALUATION IN RESPECT OF 100% EQUITY INTEREST OF NANTONG DEERHUI PRECISION EQUIPMENT TECHNOLOGY CO., LTD.

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The Directors
Yunhong Guixin Group Holdings Limited
Room 1603, 16/F., China Building,
29 Queen's Road Central,
Hong Kong

Date: 15 September 2022
Our Ref.: P/HK/2022/VAL/0048

Dear Sirs,

RE: VALUATION IN RESPECT OF 100% EQUITY INTEREST OF NANTONG DEERHUI PRECISION EQUIPMENT TECHNOLOGY CO., LTD.

In accordance with your instructions, we have undertaken a valuation on behalf of Yunhong Guixin Group Holdings Limited ("Yunhong") to determine the Fair Value (as defined below) of 100% equity interest of Nantong Deerhui Precision Equipment Technology Co., Ltd. (the "Target Company" as at 30 June 2022 (the "Valuation Date").

Brief Description of the Target Company

The Target Company is incorporated in the People's Republic of China with limited liability and principally engaged in the business of property investment. The Target Company holds an industrial complex located at No. 66 Oujiang Road, Haimen Economic Development Zone, Nantong, Jiangsu Province, the People's Republic of China (PRC) (the "Property").

All the assets and liabilities held by the Target Company as at the Valuation Date includes (1) investment property, (2) cash and bank balances, (3) other receivables, (4) other payables, (5) profit tax provision and (6) deferred tax liabilities.

Purpose of Valuation

The purpose of this valuation is to express an independent opinion of the Fair Value of the Equities as at the Valuation Date based on the financial information, underlying assumptions and information provided by management of the Target Company and Yunhong ("Management") for circular reference and compliance purpose. The valuation result should not be construed to be a fairness opinion, solvency opinion or an investment recommendation. No third party shall have the right of reliance on this report and neither receipt nor possession of this report by any third party shall create any express or implied third-party beneficiary rights.

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We relied upon completeness, accuracy and fair representation of operational, financial information and business plans in relation to the business provided by Management. The Fair Values of the Equities of the Target Companies are subject to a number of assumptions concerning historical financial information and its current financial position. To the extent that any of these assumptions or facts changed, the result of the Fair Value conclusion would be changed accordingly.

Standard, Premise and Basis of Valuation

According to International Valuation Standards, our opinion of the Fair Value is defined as *"the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date"*.

The intended use of the Valuation is to serve as basis for the circular reference and compliance purpose of the Company. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Target Companies rests solely with the Company. The results of our analysis should not be construed to be a fairness opinion, solvency opinion or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

Economic Overview

As the Target Company is operating within the economy of China, its business is affected by economic conditions and market fluctuations in China. We have reviewed the economic condition of China where the Target Companies will derive its future income from.

China's real GDP grew 4.8% year-over-year in Q1, up from 4.0% in Q4 and higher than market expectations. The highly transmissible Omicron variant of COVID-19 has affected many regions in China, with the combined number of daily confirmed and asymptomatic cases exceeding previous highs in early 2020. The new wave has led to tightened quarantine measures and a few cities have escalated to full lockdowns since mid-March 2022. There were 41 cities containing risk area(s) in April over 10 days, representing about 21.5% of China's population or 25.7% of GDP. Domestic consumption remained weak and retail sales declined by 3.5% in March, the first contraction since August 2020. The unemployment rate edged up from 5.5% in February to 5.8% in March.

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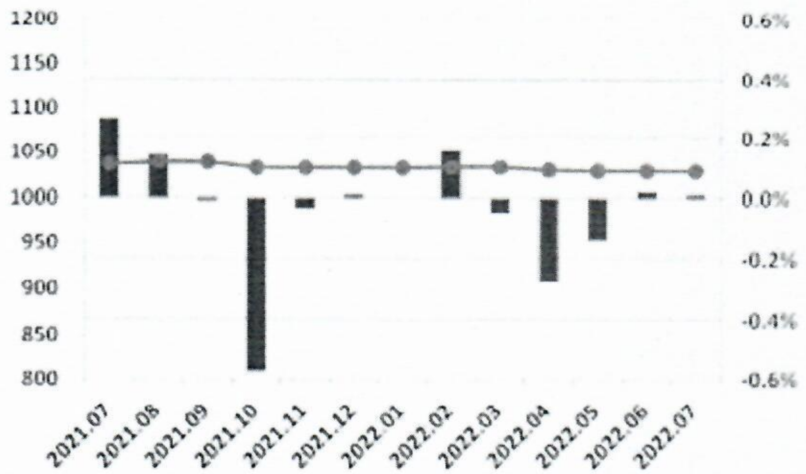
Property Investment Industry Overview

According to a report by China Real Estate Association, China's urban rental price index was 1030.4 points in July 2022. It is up 0.1 points from June, up 0.01% YoY and down 0.71% YoY. A total of 23 cities out of 35 cities saw their indexes fall YoY. In addition, nine cities saw a rise in the index from a year earlier. Among the four first-tier cities, Beijing, Shanghai, Guangzhou and Shenzhen rental price indices all increased, with year-over-year increases of 0.05%, 0.70%, 0.15% and 0.29%.

Chart –National Real estate rent and leasing price index table



Source: Oriental Real Estate Research Institute of East China Normal University

The estate rent and leasing price index is a relative number reflecting the trend and degree of change in the overall level of housing rental prices in a certain period of time. Data shows that housing rental prices in China are generally on a downward trend.

Valuation Methodology

We have conducted the Valuation in accordance with the International Valuation Standard. The valuation procedures employed include an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Target Company. All the matters we consider essential to the proper understanding of the Valuation are disclosed in our valuation report. In arriving at our assessed value, we have considered three accepted approaches, namely, income approach, market approach and Asset-based approach.

Income approach: provides an indication of value by converting future cash flows to a single current asset value, and is commonly applied to an aggregation of assets consisting of all assets of a business enterprise, including working capital and tangible and intangible assets. Value is derived based upon the present worth of economic benefits of ownership of asset.

Market approach: provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available, and incorporating adjustments to be made for any difference between the properties of the comparable assets and the subject asset being appraised.

Asset-based approach: in which the value of the valuation target is determined by reasonable appraisal of the value of all on-and-off balance sheet assets and liabilities on the basis of the balance sheet.

The income approach is not adopted as the cash flow projections prepared by Management for the Target Company would require numerous assumptions on projected growth/changes in different streams revenue, cost of revenue, operating expenses, administrative expenses, projected movements in working capital balances, and expected capital expenditure. Such assumptions and estimated are therefore not easily verifiable, supportable or reliably measured.

The market approach is not adopted as the key asset of the Target Company is the Property, which is an investment with unique characteristics specific to the nature and location of the Property, and there is no direct comparable companies with similar investment portfolio as the Target Company. The asset-based approach is adopted as tangible assets of these companies are the best indicator of value for property investment holding companies. This is the most common valuation method for this type of cases.

The fair value of the equity of the Target Company is derived as the sum of fair values of individual business assets less the sum of fair values of the liabilities. It is assumed that no material recording errors were noted in the provided financial information and documents. The calculation of assessing the equity of the Target Company is detailed in the following sections.

Valuation of the Equity of the Target Company

Based on the financial statements provided by Management, the net assets value of the Target Company is RMB31,040,324. The provisional financial positions of the Target Company are summarized in the below table:

Provisional Statement of the Target Company's Financial Position at 30 June 2022

	Book Value
	RMB'000
	30 June 2022
Assets	
Investment property	29,000,000
Cash and bank balances	71,166
Other receivables	3,316,474
Total assets	**32,387,640**
Liabilities	
Other payables	1,347,316
Profit tax provision	-
Deferred tax liabilities	-
Total liabilities	**1,347,316**
Net Asset Value	**31,040,324**

Asset-Based Approach

As part of our analysis, we have conducted a high-level review of the breakdown and nature of the assets and liabilities held by the Target Company. We have also relied to a considerable extent on information provided by Management in arriving at our appraisal of these assets and liabilities. Details of adjustments (if any) to the assets and liabilities to reflect fair value basis is outlined as follows.

1. Investment property

   This represents the investment holding in the Property, which is classified by the Company as investment property in the PRC. We have made reference to the comparable sales evidences as available on the relevant markets and, where appropriate, valued the properties on the basis of capitalization of the rental incomes as shown on the tenancy agreements handed to us by the Company. For details of the valuation of the Property, please refer to our separate valuation report titled "*Valuation of an Industrial Complex Located at No. 66 Oujiang Road, Haimen Economic Development Zone, Nantong, Jiangsu Province, The People's Republic of China*".

2. Cash and bank balances

   This represents cash in banks and time deposits and is the most liquid asset available for use of the firm. The Fair Value of cash and cash equivalents is equal to its carrying amount.

3. Other receivables

   According to Management, the other receivables should be settled either on demand or in short period of time and necessary impairment provision was made, and the carrying amounts of the receivables shall reflect their Fair Values as at the Valuation Date.

4. Other payables

   According to Management, the other payables should be settled at the demand of the creditors, and full repayment of the carrying amount would be required at any time. The full carrying amount of the payables should be adopted to reflect the Fair Value of this liability as at the Valuation Date.

5. Profit tax provision

   For the profit tax provision, we multiplied the difference between the book value and fair value of investment property by the applicable profit tax rate of 25% based on the Company's advice of relevant tax policies that would be applied to the subject properties after the development projects would be completed.

6. Deferred tax liabilities

The deferred tax liabilities arises when the capital gain on the investment property is subject to taxation. According to Management, as the difference between the book value and fair value of the investment property is not substantial, the investment property would not be subject to any taxation on the capital gain.

Adjusted Net Asset Value Analysis of the Target Company at 30 June 2022

	Book Value	Fair Value
	RMB'000	**RMB'000**
	30 June 2022	30 June 2022
Assets		
Investment property	29,000,000	30,100,000
Cash and bank balances	71,166	71,166
Other receivables	3,316,474	3,316,474
Total assets	**32,387,640**	**33,487,640**
Liabilities		
Other payables	1,347,316	1,347,316
Profit tax provision	-	275,000
Deferred tax liabilities	-	-
Total liabilities	**1,347,316**	**1,622,316**
Net Asset Value (before marketability and control adjustments)	**31,040,324**	**31,865,324**

Discount for Lack of Marketability ("DLOM") and Adjustment for Control

A DLOM of 20.6% is estimated with reference to the 2021 Stout Restricted Stocks Studies on Determining Discount for Lack of Marketability included an examination of 763 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through December 2020. The adopted DLOM is the average discount implied by these 763 private placement transactions in comparison with the corresponding publicly traded common stocks, and is considered fair and reasonable for the valuation of the equities of the Target Company.

As the adjusted net assets represents the value basis of a majority shareholder, and the subject equity being valued is the 100% interest in the Target Company, no adjustment for control is necessary.

Net Asset Value (before marketability and control adjustments)	(A)	RMB31,865,324
Discount of Lack of Marketability	(B)	20.6%
100% equity interest of the Target Company	(A)*[1-(B)] = (C)	RMB25,301,067
Rounding to Millions		RMB25,000,000

As part of our analysis, we are furnished with information prepared by the Target Company and Yunhong that include the audited and unaudited financial statements and related operational information regarding the subject Assets/Liabilities and the Target Company. We have also conducted personal interviews with senior staff of the Target Company and Yunhong and have relied to a considerable extent on such information in arriving at our value.

Other Factors Considered in Our Valuation

In the course of our valuation, we have taken into consideration of all pertinent factors affecting the business operations of the Target Company. The factors basically include:

- the market and the business risks of the Target Company;
- the general economic outlook as well as specific investment environment for the Target Company;
- the nature and current status of the Target Company;
- the historical performance of the Target Company; and
- the assumptions as stated under the section of Assumptions in this report.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the various industries, it should be noted that the valuation results derived from the prospective financial projections could be materially different from the actual results.

It is reasonable to consider that the effects of COVID-19 would be reflected in market prices and transactions under the market approach. Therefore, it is reasonable to consider that the valuation result has appropriately taken into account management's assumption concerning the effects of COVID-19 on the business.

We have been provided with extracts of copies of relevant documents, audited and unaudited financial information relating to the Target Company. We have relied upon the aforesaid information in forming our opinion of the value of the Target Company. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have no reason to doubt the truth and accuracy of the said information which is material to the valuation. We have also been advised by the Target Company that no material fact has been omitted from the information provided. We have also made relevant inquiries and obtained further information as considered necessary for the purpose of this valuation.

While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the business, economic environment, competitive uncertainties or any other abrupt alternations of external factors.

Assumptions

In the course of this valuation exercise, a number of assumptions and caveats have been made. We have based on the following to arrive at our valuation conclusion.

- According to Management, the assets of the Target Company is not and would not be pledged to on-and-off balance sheet liabilities. It is assumed that all the assets and liabilities of the Target Company were correctly recorded.
- We have assumed that the accuracy of financial and operational information provided to us by the Target Company and relied to a considerable extent on such information in arriving at our opinion of value.
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value.
- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation.
- There will be no major changes in the current taxation law in the areas in which the Target Company carries on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with.
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing.
- The Target Company will retain their management and technical personnel to maintain their ongoing operations.
- There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business.
- The Target Company will remain free from claims and litigation against the business or its customers that will have a material impact on value.
- The Target Company is unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements;
- The business is not subject to any unusual or onerous restrictions or encumbrances; and

- The potential bad debt of the Target Company will not materially affect its business operations.

Limiting Conditions

We have relied to a considerable extent on the unaudited financial data and other related information provided by the Target Company and Yunhong. We are not in a position to, nor have been instructed to, comment on the lawfulness of the business.

Based on the specific instruction from Management, no site visit was performed and our valuation was performed on desktop basis only.

It should be noted that our valuation result is subject to the accuracy and fairness of the Fair Value of all the assets and liabilities specified and held by the Target Company. To the extent that any of the adopted assumptions or facts provided to us are changed, the result of the Valuation would be different. It should be noted that the financial information regarding the Target Companies provided to us has been represented by management and was assumed for the purposes of this opinion that such information was reasonably prepared with diligence and based on best efforts of management as to the current results of the operations and financial conditions of the Target Companies to which information relate.

In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Neither the whole, nor any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

Management Confirmation of Facts

A draft of this Report and our calculations have been sent to Management of the Company. They have reviewed and orally confirmed to us that facts, as stated in this report and calculations, are accurate in all material respects. Management confirms that they have performed the necessary due-diligence on the information provided, and understands that any material changes or errors in such information could lead to a substantial change in our valuation result. As of the date of this Report, they are not aware of any material matters relevant to our engagement that were excluded.

Management should also acknowledge that the Valuation was carried out using theoretical valuation approaches, and thus could be different from any potential transaction prices. The valuation result should therefore be used for the financial reporting reference only. It is noted that Management has reviewed all valuation results and agreed with all relevant valuation inputs and calculations.

Remarks

Unless otherwise stated, all money amounts in this report are stated in Renminbi ("RMB")

We hereby confirm that we have neither present nor prospective interests in the Target Company, Yunhong and its respective holding company, subsidiaries and associated companies, or the value reported herein.

The conclusion of value is based on generally accepted valuation procedures and practices that rely on substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, Yunhong and us.

This report is issued subject to our Assumptions and Limiting Conditions stated above.

Opinion of the Value

Based on the investigation and analysis stated above and the valuation method employed, we are of the opinion that the Fair Value of 100% equity interest in the Target Company as at Valuation Date was reasonably stated as **RMB25,000,000**.

Yours faithfully,
For and on behalf of
APAC Asset Valuation and Consulting Limited

Jasper Chan
CFA, FRM
Director

Notes:
Jasper Chan, CFA, FRM
Mr. Jasper Chan is a CFA® charterholder and a certified FRM® with 9 years of experience in handling valuations and financial modelling for financial reporting, merger and acquisition, financial derivatives, intangible assets, biological assets, mine valuations, etc. He also has extensive experience in providing valuation advisory services to private equity funds, and providing litigation support in relation to commercial and matrimonial disputes. His work has covered a range of different industries including manufacturing, financial services, mineral resources, forestry, IT, pharmaceutical, casinos & gaming, etc.