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 China ZhengTong Auto Services Holdings Limited (the "**Company**"), you should hand this circular at once to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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正 通

China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1728)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 5.77% OF THE EQUITY INTEREST IN DONGFENG LOGISTICS AND NOTICE OF EGM

八方 金融有限公司 OCTAL Capital Limited

Financial adviser to the Company

Gram Capital Limited 嘉林資本有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

A notice convening the extraordinary general meeting (the "**EGM**") to be held at the conference room of the Company located at Large Conference Room, 4th Floor, Wuhan Baoze, No. Te 6 Huangpu Technological Park, Tazihu Street, Jiangan District, Wuhan, Hubei Province, PRC on Wednesday, 7 February 2024 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 10:30 a.m. on Monday, 5 February 2024) or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

22 January 2024

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"2022 Annual Report"	the annual report of the Group for the year ended 31 December 2022
"Appraised Value"	the appraised value of 5.77% of the equity interest in Dongfeng Logistics which amounted to RMB331,496,300 as at the Valuation Benchmark Date under the market approach as set out in the Valuation Report
"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Board"	the board of Directors
"Business Day(s)"	Business days in the PRC, except Saturdays, Sundays and statutory holidays in the PRC
"Company"	China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange
"Completion"	completion of the Disposal pursuant to the terms and conditions under the Share Transfer Agreement
"Completion Date"	the date within five Business Days after the date on which all of the conditions precedent to the Disposal have been satisfied or waived by the parties to the Share Transfer Agreement (or such other date as the parties thereto may agree from time to time) and when Completion takes place
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration of RMB331,496,300 for the Disposal
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of 5.77% of the equity interest in Dongfeng Logistics by the Seller to the Purchaser pursuant to the Share Transfer Agreement
"Dongfeng Logistics"	Dongfeng Logistics Group Co., Limited* (東風物流集團股份有限公司), a joint stock company established under the laws of the PRC with limited liability

"EGM"	the extraordinary general meeting of the Company to be held for the Shareholders to consider, and if thought fit, approve the Disposal
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in relation to the Disposal
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
"Independent Shareholders"	Shareholder(s) other than (i) ITG Holding and its associates and parties acting in concert with any of them and (ii) any other persons who are involved or interested in the Disposal
"Independent Valuer"	Lianhe Zhonghe Land and Real Estate Assets Appraisal Co., Limited* (聯合中和土地房地產資產評估有限公司), an independent qualified valuer established under the laws of the PRC with limited liability
"ITG Group"	ITG Holding and its subsidiaries (not including our Group)
"ITG Holding"	Xiamen ITG Holding Group Co., Ltd.* (廈門國貿控股集團有限公司), a state-owned enterprise directly controlled by State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government (廈門市人民政府國有資產監督管理委員會) and a substantial shareholder of the Company as at the Latest Practicable Date
"Latest Practicable Date"	19 January 2024, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	18 May 2024, being the date five months after the date of the execution of the Share Transfer Agreement

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules
"PRC"	the People's Republic of China
"PRC GAAP"	generally accepted accounting principles of the PRC in effect as modified from time to time
"Purchaser"	Xiamen Xindeco Company Limited* (廈門信達股份有限公司), a joint stock company established under the laws of the PRC with limited liability, and the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 000701)
"RMB"	Renminbi, the lawful currency of the PRC
"Seller"	Shengze Jietong Supply Chain Co., Limited* (聖澤捷通供應鏈有限公司), a company established under the laws of the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the issued share capital of the Company
"Share Transfer Agreement"	the share transfer agreement dated 18 December 2023 in relation to the Disposal entered into between the Seller and the Purchaser
"Shareholder(s)"	the registered holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Equity Interest"	The 5.77% equity interest in Dongfeng Logistics held by the Seller as at the Latest Practicable Date
"Tongda Group"	Tongda Group (China) Co., Limited, a private company established under the laws of Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
"Transitional Period"	the period from the Valuation Benchmark Date (excluding the date thereof) to the date of Completion (including the date thereof)
"Valuation Benchmark Date"	30 June 2023, being the valuation benchmark date of the carrying value of the Group's investment in the Target Equity Interest

"Valuation Report"	The valuation report dated 10 November 2023 prepared by the Independent Valuer
"%"	per cent

English translations of names in Chinese or another language in this circular which are marked with "" are for identification purposes only.*

正 通

China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1728)

Executive Directors:
Mr. WANG Mingcheng (王明成)
(Chairman)
Mr. LI Zhihuang (李植煌)
Mr. HUANG Junfeng (黃俊鋒)

Independent Non-Executive Directors:
Dr. WONG Tin Yau Kelvin (黃天祐)
Dr. CAO Tong (曹彤)
Ms. WONG Tan Tan (王丹丹)

Chief Executive Officer:
Mr. CHEN Hong (陳弘)

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Flat C, 32/F
Lippo Centre Tower 1
89 Queensway
Hong Kong

22 January 2024

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 5.77% OF THE EQUITY INTEREST IN DONGFENG LOGISTICS AND NOTICE OF EGM

BACKGROUND

Reference is made to the announcement of the Company dated 18 December 2023.

On 18 December 2023, the Seller (an indirect wholly owned subsidiary of the Company) entered into the Share Transfer Agreement with the Purchaser, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Target Equity Interest for a cash consideration of RMB331,496,300. As at the Latest Practicable Date, the Group holds approximately 14.43% equity interest in Dongfeng Logistics in aggregate. Upon Completion, the Group will continue to hold 8.66% equity interest in Dongfeng Logistics which is recognized as a financial asset at fair value through profit or loss.

The purpose of this circular is to provide you with, among other things, (i) further information on the Disposal; (ii) certain financial information of the Group; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Share Transfer Agreement and the Disposal; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Share Transfer Agreement and the Disposal; and (v) a notice of the EGM at which an ordinary resolution will be proposed for the Shareholders to consider and if thought fit, approve the Disposal.

THE SHARE TRANSFER AGREEMENT

The principal terms and conditions of the Share Transfer Agreement are set out as follows:

Date

18 December 2023

Parties

(i) Shengze Jietong Supply Chain Co., Limited* (聖澤捷通供應鏈有限公司), as the Seller; and

(ii) Xiamen Xindeco Company Limited* (廈門信達股份有限公司), as the Purchaser.

Assets to be disposed of

Pursuant to the Share Transfer Agreement, the Seller has conditionally agreed to sell to the Purchaser the Target Equity Interest, representing approximately 5.77% of the entire issued share of Dongfeng Logistics, together with all rights and benefits attaching thereto with effect from the date of Completion.

Consideration and payment terms

The Consideration to be paid by the Purchaser to the Seller is RMB331,496,300 which shall be paid in cash by the Purchaser to the Seller after the fulfilment of all the conditions precedent to the completion of the Share Transfer Agreement.

Basis of Consideration

The Consideration was determined based on normal commercial terms and after arm's length negotiations between the Purchaser and the Seller, with reference to, among others, (i) the valuation of 5.77% of the equity interest in Dongfeng Logistics which amounted to RMB331,496,300 as at Valuation Benchmark Date, as prepared by the Independent Valuer, based on market approach (for further details in relation to the valuation methods adopted by the Independent Valuer, please refer to the Valuation Report as set out in Appendix II to this circular); and (ii) the reasons for and benefits of the Disposal as stated under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below.

The Valuation Report, indicating the above Appraised Value in respect of the entire equity interest in Dongfeng Logistics and 5.77% of the entire equity interest in Dongfeng Logistics prepared by Lianhe Zhonghe Land and Real Estate Assets Appraisal Co., Limited* (聯合中和土地房地產資產評估有限公司), the Independent Valuer, as at the Valuation Benchmark Date based on the market approach taking into account the multiples of enterprise value (the "**EV**") to net operating income after tax (the "**NOIAT**") (the "**EV/NOIAT**") of selected comparable listed companies on Shanghai Stock Exchange and Shenzhen Stock Exchange, with adjustment made to reflect the features of the Dongfeng Logistics relative to the comparable listed companies, is set out in Appendix II to this circular.

Based on the aforesaid, the Directors consider that the Consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Disposal will be subject to the fulfilment of all of the following conditions precedent which include but not limited to:

(i) if applicable, all authorizations, approvals and consents by the relevant governmental authorities or third parties which are necessary in respect of the execution and performance of the Share Transfer Agreement and the transactions contemplated thereunder having been obtained;

(ii) all necessary approvals by the board of the shareholders of the Purchaser, in respect of the Share Transfer Agreement and the transactions contemplated thereunder having been obtained; and

(iii) all necessary approvals by the Shareholders in general meeting in respect of the transactions contemplated under the Share Transfer Agreement in a manner as required by the Stock Exchange or under the Listing Rules, the articles of association of the Company, and the applicable legislation have been obtained.

If the above conditions have not been fulfilled on or before the Long Stop Date (18 May 2024), the Share Transfer Agreement can be terminated by either party and thereafter neither party will have any obligations and liability towards each other thereunder save for any antecedent breaches of the terms thereof.

Save for the Share Transfer Agreement and the Disposal which have yet to be approved at the EGM under conditions (iii) above, all of the aforesaid conditions precedent have been fulfilled as at the Latest Practicable Date.

Completion

After the fulfilment of all the conditions precedent and upon the receipt of the Consideration, the Seller and Dongfeng Logistics shall complete all relevant procedures in respect of the transfer of the Target Equity Interest, including but not limited to the change of shareholders registration, the Seller will cease to hold any equity interest of Dongfeng Logistics and the Group will continue to hold 8.66% equity interest in Dongfeng Logistics which continues to be recognized as a financial asset at fair value through profit or loss.

Arrangements during the Transitional Period

During the Transitional Period, any profit or loss of the Dongfeng Logistics shall be enjoyed or borne (as the case may be) by the Purchaser in proportion to its respective equity interests in Dongfeng Logistics as if Completion has taken place.

INFORMATION OF DONGFENG LOGISTICS

Dongfeng Logistics is an unlisted joint stock company incorporated in the PRC with limited liability on 15 January 2020 and is principally engaged in the provision of logistics services in the PRC. As at the Latest Practicable Date, the Group held 14.43% equity interest in Dongfeng Logistics in aggregate through (i) the Seller which held 5.77% equity interest in Dongfeng Logistics, and (ii) Tongda Group, an indirect wholly owned subsidiary of the Company, which held 8.66% equity interest in Dongfeng Logistics.

The audited financial information of Dongfeng Logistics for the two years ended 31 December 2022 and the six months ended 30 June 2023 prepared in accordance with the generally accepted accounting principles in the PRC is as follows:

	For the year ended		For the six months ended
	31 December 2021	31 December 2022	30 June 2023
	RMB million	*RMB million*	*RMB million*
Revenue	4,140.3	4,379.2	1,716.1
Net profit before tax	371.0	417.2	58.3
Net profit after tax	309.4	298.2	32.5

The unaudited carrying value of the Target Equity Interest as at the Valuation Benchmark Date was approximately RMB377.85 million.

INFORMATION OF THE PURCHASER

The Purchaser is a joint stock company established in the PRC with limited liability on 28 November 1996 and the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 000701). The Purchaser is owned as to approximately 39.27% by ITG Holding (a substantial shareholder of the Company) as at the Latest Practicable Date. The Purchaser is principally engaged in automobile distribution, supply chain, and information technology business.

INFORMATION OF THE SELLER

The Seller is a company established in the PRC with limited liability on 15 January 2016 which is indirectly wholly owned by the Company. The Seller is principally engaged in logistics and transportation services of vehicles and auto parts and vehicle storage services and it held 5.77% equity interest in Dongfeng Logistics as at the Latest Practicable Date.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the luxury and ultra-luxury auto sales business and after-sales business. As mentioned in the 2022 Annual Report, the Group decided to focus on its core 4S dealership business based on the Group's 2021–2025 development strategy plan and commenced its divestment plan on other non-core businesses, including the equity interest in Dongfeng Logistics. The Group has been actively identifying and negotiating with potential buyers with the objective of achieving a completed sale within 2023, subject to fulfilment of any relevant regulatory requirements.

On the other hand, based on the Company's 2021–2025 development strategy plan, and considering China's automobile sales industry has shown signs of gradual recovery with the pandemic receding, the Company will continue to focus on its principal business of automobile sales and services and aim to maintain high and continuous growth in such business, particularly in accelerating the development of its luxury brand dealership business, and the Company will prioritize the funding need required for its principal business.

The Board is of the view that the Disposal could realize part of the Group's investment in Dongfeng Logistics with net proceeds of approximately RMB312.79 million which would be used to repay part of the Group's outstanding debts which will be matured in the short term and/or bear higher interest rates, thereby improving the Group's financial position and saving the relevant interest expenses. Following the Disposal, the Group could also reallocate its financial resources originally intended for use in the settlement of the aforesaid outstanding debts and/or the payment of the relevant interest expenses on the luxury and ultra-luxury automobile sales in China. The Group would continue to look for potential buyers of the Group's remaining 8.66% equity interests in Dongfeng Logistics.

Having considered the above factors, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) are of the view that it is an opportune time to proceed with the Disposal, and that the terms of the Share Transfer Agreement and the Disposal (including the consideration) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

It is expected that the net proceeds from the Disposal in the amount of approximately RMB312.79 million (after deducting all relevant fees and expenses) will be used for the repayment of debt of the Group.

Earnings

Based on the Consideration and the fair value of the Group's investment in the Target Equity Interest as at 31 December 2022 of approximately RMB377.85 million recognized as financial assets at fair value through profit or loss (the "**2022 Fair Value**"), it is estimated that the Group will record a loss of approximately RMB6.72 million, which is the aggregate amount of (i) the loss of fair value change of approximately RMB46.35 million, representing the difference between the 2022 Fair Value and the Consideration; (ii) the dividend income of approximately RMB15.81 million in respect of the Target Equity Interest during the year 2023; (iii) the deferred tax income from the Disposal of approximately RMB23.99 million (arising from the release of the previously recorded deferred tax liability representing the difference between the tax base and accounting base of the Group's investment in the Target Equity Interest multiplied by the applicable tax rate); and (iv) the relevant stamp duty of approximately RMB0.17 million. It is also estimated that the Group would record a net cash inflow of approximately RMB312.79 million, being the net proceeds from the Disposal (being the Consideration to be received upon Completion after deducting all relevant fees and expenses). Shareholders should note that the actual amount of the gain or loss on the Disposal to be recognized in the consolidated financial statements of the Company will be subject to the final audit by the Company's auditors. Therefore, it may be different from the amount mentioned above.

The overall financial effects before taxation from the Disposal since the Group's lost of significant influence over Dongfeng Logistics is further set out below.

As mentioned in the 2022 Annual Report, following the change in circumstances about how the Group's significant influence can be exercised over Dongfeng Logistics and that the Group lost significant influence over Dongfeng Logistics in December 2022, the Group has ceased the use of the equity method of accounting in respect of its investment in Dongfeng Logistics and has recognized its interests in Dongfeng Logistics as a financial asset at fair value through profit or loss in the consolidated balance sheet as at 31 December 2022 (the "**Reclassification**"). As a result of the Reclassification, a remeasurement gain of RMB424,271,000 was recognized for the year ended 31 December 2022 in respect of the Group's 14.43% equity interests in Dongfeng Logistics, representing the difference between the fair value and carrying amount of the Group's interest in Dongfeng Logistics at the date when significant influence over Dongfeng Logistics was lost in December 2022, of which

RMB169,649,596 was attributable to the Target Equity Interest, representing a mathematical calculation result made by the management of the Group (i.e. total remeasurement gain in respect of the Group's 14.43% equity interests in Dongfeng Logistics of RMB424,271,000 times 5.77% (being the Target Equity Interest) divided by 14.43% (being the Group's equity interests in Dongfeng Logistics in December 2022)).

The carrying value of the Target Equity Interest amounted to approximately RMB207.72 million as at the date when the Group's significant influence over Dongfeng Logistics was lost in December 2022 and the 2022 Fair Value was appraised to approximately RMB377.85 million, resulted in an accounting gain of approximately RMB169.65 million in 2022. The fair value of the Target Equity Interest was adjusted to approximately RMB331.50 million (the "**2023 Fair Value**") in the Valuation Report prepared by the Independent Valuer (with 30 June 2023 as the Valuation Benchmark Date), taking into account comparable market valuation factors, and it represents a decrease of approximately RMB46.35 million compared to the 2022 Fair Value, which was primarily attributable to an economic recovery that failed to meet the expectation, leading to a significant impact on the overall industry valuation. However, the 2023 Fair Value together with the dividend of approximately RMB15.81 million received during 2023 would be higher than the historical cost of the Target Equity Interest of approximately RMB207.72 million as at the date when the Group's significant influence over Dongfeng Logistics was lost in December 2022 by approximately RMB139.59 million.

Assets and Liabilities

As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group recorded total assets and total liabilities of approximately RMB27,733 million and RMB27,508 million as at 31 December 2022, respectively.

It is expected that the net proceeds from the Disposal in the amount of approximately RMB312.79 million (after deducting all relevant fees and expenses) will be used for the repayment of debt of the Group. Therefore, the Group's total assets and total liabilities would decrease immediately upon utilizing the net proceeds from the Disposal for the repayment of debt of the Group. Further, since it is expected that the Group will recognize an unaudited loss of approximately RMB6.72 million, it is estimated that the consolidated net assets of the Group would decrease by approximately RMB6.72 million as a result of the Disposal.

LISTING RULES IMPLICATIONS OF THE DISPOSAL

As certain applicable percentage ratio set forth under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, ITG Holding is a substantial shareholder of the Company and the Purchaser is owned as to approximately 39.27% by ITG Holding. The Purchaser is therefore a connected person of the Company since it is an associate of ITG

Holding, a substantial shareholder of the Company. Accordingly, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to reporting, announcement, circular, and Independent Shareholders' approval requirements.

Executive Directors Mr. WANG Mingcheng, Mr. LI Zhihuang and Mr. HUANG Junfeng hold positions within the ITG Group, the holding company (ITG Holding) of which is a substantial shareholder of the Company, and are therefore considered to be materially interested in the Disposal and had abstained from voting on the relevant board resolutions for considering and approving the entering into of the Share Transfer Agreement and the Disposal. Save as disclosed above, none of the Directors has a material interest in the Disposal or had been required to abstain from voting on the relevant board resolutions for considering and approving the entering into of the Share Transfer Agreement and the Disposal pursuant to the Listing Rules and/or the articles of association of the Company.

Completion is conditional upon the satisfaction of the conditions set out in the paragraph headed "Conditions Precedent" in this circular, including the approval of the Share Transfer Agreement and the transactions contemplated thereunder by the Shareholders at the EGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

WAIVER FROM STRICT COMPLIANCE WITH THE PROFIT FORECAST REQUIREMENTS UNDER THE HONG KONG LISTING RULES

The appraised value of the Target Equity Interest determined by the Independent Valuer was solely based on the valuation result using the market approach as set out in the Valuation Report. However, as the Independent Valuer is required under applicable PRC laws and regulations to conduct the valuation of Dongfeng Logistics' total equity interest using at least two valuation approaches, the Independent Valuer used the market approach and the income approach in the valuation as set out in the summary of the Valuation Report in Appendix II of this Circular in which the valuation result using the market approach was adopted. The use of income approach in the valuation was to satisfy the relevant requirements under the PRC laws and regulations. Having considered (i) the profit forecast of Dongfeng Logistics used by the Independent Valuer in the valuation of the entire equity interests of Dongfeng Logistics using the income approach in the Valuation Report was made solely by the management of Dongfeng Logistics (the "**Profit Forecast**"), and the Company, as a passive investor and minority shareholder of Dongfeng Logistics, or the Seller was not involved and did not participate in the preparation of the Profit Forecast and the assumptions used therein; (ii) the Company has practical difficulties in complying with the requirements in relation to the Profit Forecast under Rules 14.66(2) and 14A.70(13) and Paragraph 29(2) of Appendix D1B of the Listing Rules; and (iii) as the Profit Forecast used in the income approach to value 100% equity interest of Dongfeng Logistics in the Valuation Report was prepared to fulfill the relevant requirement under the relevant PRC laws and regulations, the Profit Forecast and the information required under Paragraph 29(2) of Appendix D1B relating to the Profit Forecast is not applied by the Group in assessing the merits of the Disposal and they are of minor importance only, the Company has applied for, and the Stock Exchange has granted, a waiver from the profit forecast requirements under Rules 14.66(2), 14A.70(13), and paragraph 29(2) of Appendix D1B of the Hong Kong Listing Rules in respect of the Disposal.

GENERAL

The EGM will be convened to consider and, if thought fit, approve the Share Transfer Agreement and the Disposal. An ordinary resolution will be proposed at the EGM to be voted by the Independent Shareholders by way of poll to approve the Share Transfer Agreement and the Disposal. At the EGM, any Shareholder with a material interest in the Disposal and its associates are required to abstain from voting on the resolution approving the Share Transfer Agreement and the Disposal.

In view of the Purchaser and ITG Holding's interest in the Disposal, the Purchaser and ITG Holding who are involved or interested in the Disposal will abstain from voting on the proposed resolution in respect of the Disposal at the EGM. As at the Latest Practicable Date, to the best knowledge of the Directors having made all reasonable enquiries, ITG Holding directly held 820,618,184 Shares, representing approximately 28.62% of the total issued share capital of the Company, and the Purchaser directly held 22,359,500 Shares, representing approximately 0.78% of the total issued share capital of the Company. The Purchaser and ITG Holding controlled or was entitled to exercise control over the voting rights in respect of such Shares. As at the Latest Practicable Date, there was no (i) voting trust or other agreement or arrangement or understanding entered into by or binding upon the Purchaser or ITG Holding; or (ii) obligation or entitlement of the Purchaser or ITG Holding, whereby it had or might have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

The Independent Board Committee comprising all of the Company's independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Share Transfer Agreement and the Disposal are on normal commercial terms, are fair and reasonable, and whether the Disposal is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on how to vote, taking into account the advice from the Independent Financial Adviser. None of the members of the Independent Board Committee is directly or indirectly interested or involved in the Disposal. The members of the Independent Board Committee are Dr. WONG Tin Yau Kelvin, Dr. CAO Tong, and Ms. WONG Tan Tan. In this connection, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Share Transfer Agreement and the Disposal are on normal commercial terms, are fair and reasonable, and whether the Disposal is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on whether to vote in favor of the resolution to be proposed for approving the Share Transfer Agreement and the Disposal at the EGM.

THE EGM

A notice convening the EGM to be held at Large Conference Room, 4th Floor, Wuhan Baoze, No. Te 6 Huangpu Technological Park, Tazihu Street, Jiangan District, Wuhan, Hubei Province, PRC on Wednesday, 7 February 2024 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. An ordinary resolution will be proposed at the EGM and, if thought fit, passed by the Shareholders by way of poll to approve the Share Transfer Agreement and the Disposal.

For determining the entitlement to attend and vote at the EGM, the register of Shareholders of the Company will be closed from Monday, 5 February 2024 to Wednesday, 7 February 2024 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 2 February 2024.

A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. at or before 10:30 a.m. on Monday, 5 February 2024) or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM or the adjourned meeting if you so wish, and in such event, the said form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Board (including all the independent non-executive Directors) considers that the terms of the Share Transfer Agreement and the Disposal are on normal commercial terms and are fair and reasonable, and although the Disposal is not conducted in the ordinary and usual course of business of the Group, the Disposal is in the interests of the Company and its Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favor of the resolution set out in the notice of the EGM.

Your attention is also drawn to the information set out in the appendices and the notice of the EGM.

Yours faithfully,
For and on behalf of the board of
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
WANG Mingcheng
Chairman

China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1728)

22 January 2024

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 5.77% OF THE EQUITY INTEREST IN DONGFENG LOGISTICS AND NOTICE OF EGM

We refer to the circular issued by the Company to the Shareholders dated 22 January 2024 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed on 18 December 2023 to form the Independent Board Committee to consider the terms of the Share Transfer Agreement and the Disposal and to advise the Independent Shareholders in respect of the same. We confirm the appointment of Gram Capital as the Independent Financial Adviser on 27 December 2023 to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out on pages 5 to 14 and pages 17 to 34 of the Circular, respectively.

RECOMMENDATION

Having considered together the factors as set out in the Circular, the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we are of the opinion that (i) the terms of the Share Transfer Agreement and the Disposal are on normal commercial terms and are fair and reasonable;

and (ii) although the Disposal is not conducted in the ordinary and usual course of business of the Group, the Disposal is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favor of the ordinary resolution approving the Share Transfer Agreement and the Disposal at the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee
WONG Tin Yau Kelvin, CAO Tong, WONG Tan Tan
Independent non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement and the Disposal for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

22 January 2024

To: The independent board committee and the independent shareholders of China ZhengTong Auto Services Holdings Limited

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 5.77% OF THE EQUITY INTEREST IN DONGFENG LOGISTICS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 22 January 2024 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 18 December 2023, the Seller (being an indirect wholly-owned subsidiary of the Company) entered into the Share Transfer Agreement with the Purchaser, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Target Equity Interest for a total consideration of RMB331,496,300.

With reference to the Board Letter, the Disposal constitutes a major and connected transaction of the Company and is subject to, among others, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Dr. WONG Tin Yau Kelvin, Dr. CAO Tong and Ms. WONG Tan Tan (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Share Transfer Agreement and the Disposal are on normal commercial terms and are fair and reasonable; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Share Transfer Agreement and the Disposal at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OPINION

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Disposal. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made an independent evaluation or appraisal of the assets and liabilities of Dongfeng Logistics and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report (i.e. "**Valuation Report**") on Dongfeng Logistics prepared by the Independent Valuer, summary of which are as set out in Appendix II to the Circular. Since we are not experts in the valuation of assets or business, we have relied solely upon the Appraised Value as at the 30 June 2023 (i.e. "**Valuation Benchmark Date**").

The 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Purchaser or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources and such sources are reliable.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group is principally engaged in the luxury and ultra-luxury auto sales business and after-sales business.

FY2021 and FY2022

Set out below are the Group's consolidated financial information for the two years ended 31 December 2022 as extracted from 2022 Annual Report:

	For the year ended 31 December 2022 (audited) *RMB'000*	**For the year ended 31 December 2021** (audited) *RMB'000*	**Year-on-year change** %
Revenue from continuing operations	22,606,790	20,985,529	7.7
— 4S (sales, spare parts, service and survey) dealership business	*21,927,113*	*20,102,465*	*9.1*
— Supply chain business	*679,677*	*883,064*	*(23.0)*
Gross profit	1,586,878	1,235,559	28.4
Finance costs	(1,006,998)	(1,301,874)	(22.7)
Loss for the year	(297,421)	(3,780,767)	(92.1)

As depicted from the above table, the Group's revenue from continuing operations was approximately RMB22,607 million for the year ended 31 December 2022 ("**FY2022**"), representing an increase of approximately 7.7% as compared to that of approximately RMB20,986 million for the year ended 31 December 2021 ("**FY2021**"). With reference to the 2022 Annual Report, such increase in revenue was mainly due to an increase in the sales of new automobiles during FY2022.

Among the Group's revenue of approximately RMB22,607 million for FY2022:

- revenue from the sales of new automobiles was approximately RMB18,845 million for FY2022, representing an increase of approximately 10.9% as compared to that for FY2021, and accounting for approximately 83.4% of the total revenue for FY2022 (FY2021: approximately 81.0%).

- revenue from the after-sales services was approximately RMB3,081 million for FY2022, representing a decrease of approximately 0.8% as compared to that for FY2021. In FY2022, revenue from the after-sales services accounted for approximately 13.6% of the Group's total revenue (FY2021: approximately 14.8%).

Revenue from the sales of new automobiles and after-sales services (both of which are under the 4S dealership business segment) accounted for over 95% of the Group's revenue from continuing operations for FY2021 and FY2022 respectively.

The Group's finance cost for FY2022 substantially decreased by approximately 22.7% from approximately RMB1,302 million for FY2021 to approximately RMB1,007 million for FY2022, which was mainly due to the decrease in interest on loans and borrowings and bonds payable according to 2022 Annual Report.

The Group recorded loss of approximately RMB297 million for FY2022, significantly decreased by approximately 92.1% as compared to that of approximately RMB3,781 million for FY2021. With reference to the 2022 Annual Report, such decrease in loss was mainly due to the significant increase in other income, operation recovery and the closure of certain loss-making dealership stores.

1H2022 and 1H2023

Set out below are the Group's consolidated financial information for the six months ended 30 June 2023 ("**1H2023**") (with comparative figures for previous year) as extracted from the Company's interim report for 1H2023 (the "**2023 Interim Report**") respectively:

	For the six months ended 30 June 2023 (unaudited) *RMB'000*	**For the six months ended 30 June 2022** (unaudited) *RMB'000*	**Year-on-year change** *%*
Revenue	12,309,565	11,068,764	11.2
— 4S dealership business	*12,006,519*	*10,749,338*	*11.7*
— Supply chain business	*303,046*	*319,426*	*(5.1)*
Gross profit	630,416	949,264	(33.6)
Finance costs	(536,380)	(482,527)	11.2
Profit/(loss) for the period	(386,064)	5,675	N/A

As depicted from the above table, the Group's revenue was approximately RMB12,310 million for 1H2023, representing an increase of approximately 11.2% as compared to that for the six months ended 30 June 2022 ("**1H2022**"). With reference to the 2023 Interim Report, such increase in revenue was mainly due to an increase in sales of new automobiles during 1H2023.

However, due to a decrease in the average selling price of new automobiles for 1H2023, the Group's gross profit decreased by approximately 33.6% to approximately RMB630 million from approximately RMB949 million for 1H2022, and the gross profit margin also decreased by approximately 3.5 percentage points to approximately 5.1% from approximately 8.6% in 1H2022.

The Group recorded loss of approximately RMB386.1 million for 1H2023 as compared to profit of approximately RMB5.68 million for 1H2022. With reference to the 2023 Interim Report, such change was mainly due to the decrease in gross profit margin from sales of new automobiles during 1H2023.

Information on Dongfeng Logistics

With reference to the Board Letter, Dongfeng Logistics is an unlisted joint stock company incorporated in the PRC with limited liability on 15 January 2020 and is principally engaged in the provision of logistics services in the PRC.

As at the Latest Practicable Date, the Group held 14.43% equity interest in Dongfeng Logistics in aggregate through (i) the Seller which held 5.77% equity interest in Dongfeng Logistics, and (ii) Tongda Group, an indirect wholly-owned subsidiary of the Company, which held 8.66% equity interest in Dongfeng Logistics.

The consolidated financial information of Dongfeng Logistics for the two years ended 31 December 2022 and 1H2023 prepared in accordance with PRC GAAP is as follows, as extracted from the Board Letter:

	For the six months ended 30 June 2023 (audited) *RMB million*	**For the year ended 31 December 2022** (audited) *RMB million*	**For the year ended 31 December 2021** (audited) *RMB million*
Revenue	1,716.1	4,379.2	4,140.3
Net profit before tax	58.3	417.2	371.0
Net profit after tax	32.5	298.2	309.4

With reference to the Board Letter, the unaudited carrying value of the Target Equity Interest as at 30 June 2023 was approximately RMB377.85 million.

Information on the Purchaser

With reference to the Board Letter, the Purchaser is a joint stock company established in the PRC with limited liability on 28 November 1996 and the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 000701). The Purchaser is owned as to approximately 39.27% by ITG Holding (the substantial Shareholder of the Company) as at the Latest Practicable Date. The Purchaser is principally engaged in automobile distribution, supply chain, and information technology business.

Reasons for and benefits of the Disposal

As advised by the Directors, the Company had engaged a professional consultant to assist in formulating its 2021–2025 development strategy, and set a new vision of "becoming a leading comprehensive service provider in the ecology of the automobile industry", namely, by establishing a strong foothold in automobile dealerships, focusing on "automobile, customers and data", surveying the ecology of the automobile industry, and unearthing the value of the customer life cycle.

With reference to the Board Letter, based on the Company's 2021–2025 development strategy plan, and considering China's automobile sales industry has shown signs of gradual recovery with the pandemic receding, the Company will continue to focus on its principal business of automobile sales and services and aim to maintain high and continuous growth in such business, particularly in accelerating the development of its luxury brand dealership business, and the Company will prioritise the funding need required for its principal business. As illustrated in the section headed "Information on the Group" above, revenue from the sales of new automobiles and after-sales services accounted for over 95% of the Group's revenue from continuing operations for FY2022.

As stated in the 2023 Interim Report, after ITG Holding became the substantial Shareholder in 2021, the Group decided to focus on its core 4S dealership business based on the Group's 2021–2025 development strategy plan and commenced its Divestment Plan, including the equity investment in Dongfeng Logistics. In this connection, the Group has engaged a financial adviser to assist with the potential disposal of its entire equity investment in Dongfeng Logistics and has been actively identifying and negotiating with potential buyers with an objective of achieving a completed sale within 2023, subject to fulfilment of any relevant regulatory requirements.

With reference to the Board Letter, the Disposal could realise part of the Group's investment in Dongfeng Logistics with net proceeds of approximately RMB312.79 million which would be used to repay part of the Group's outstanding debts (which will be matured in the short term and/or bear higher interest rates), thereby improving the Group's financial position and saving relevant interest expenses. Following the Disposal, the Group could also reallocate its financial resources originally intended for use in the settlement of the aforesaid outstanding debts and/or the payment of relevant interest expenses to the luxury and ultra-luxury automobile sales in China. We noticed from the 2022 Annual Report that revenue generated from the sales of luxury and ultra-luxury branded automobiles (i) increased by approximately 13.0% from approximately RMB15,483 million in 2021 to approximately RMB17,491 million in 2022, which was mainly due to the increase in sales of luxury automobiles; and (ii) accounted for approximately 92.8% and 91.1% of revenue from the sales of new automobiles in 2022 and 2021, respectively. Therefore, we concur with the Directors that the luxury and ultra-luxury automobile sales (in China) business is important to the Group.

As also confirmed by the Directors, the Group would continue to look for potential buyers of the Group's remaining 8.66% equity interests in Dongfeng Logistics.

Based on the above, we are of the view that the Disposal is in line with the Group's business plan.

With reference to the Board Letter, based on the Consideration and the fair value of the Group's investment in the Target Equity Interest as at 31 December 2022 of approximately RMB377.85 million recognized as financial assets with a fair value through profit or loss, it is estimated that the Group will record a loss of approximately RMB6.72 million*(Note)* and a net cash inflow of approximately RMB312.79 million (i.e. the net proceeds from the Disposal). Please refer to the Board Letter for details of the expected loss from the Disposal.

In light of the above, including (i) the Disposal could realise part of the Group's investment in Dongfeng Logistics, the net proceeds of which would be used to repay part of the Group's outstanding debt and improve the Group's financial position; (ii) the Group could reallocate its financial resources on the luxury and ultra-luxury automobile sales in China, which is an important business to the Group; and (iii) the Disposal is in line with the Group's business plan, we consider that although the Disposal is not conducted in the ordinary and usual course of business of the Group, the Disposal is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Disposal

Set out below is the principal terms of the Share Transfer Agreement, details of which are set out under the section headed "THE SHARE TRANSFER AGREEMENT" of the Board Letter.

Date

18 December 2023 (the "**Agreement Date**")

Parties

(i) Shengze Jietong Supply Chain Co., Limited* (聖澤捷通供應鏈有限公司), as the Seller; and

(ii) Xiamen Xindeco Company Limited* (廈門信達股份有限公司), as the Purchaser.

Assets to be disposed of

Pursuant to the Share Transfer Agreement, the Seller has conditionally agreed to sell to the Purchaser the Target Equity Interest, representing approximately 5.77% of the entire issued share of Dongfeng Logistics, together with all rights and benefits attaching thereto with effect from the date of Completion.

Consideration and basis

The Consideration to be paid by the Purchaser to the Seller is RMB331,496,300, which shall be paid in cash by the Purchaser to the Seller after the fulfilment of all the conditions precedent to the completion of the Share Transfer Agreement.

Note: Shareholders should note that the actual amount of the gain or loss on the Disposal to be recognized in the consolidated financial statements of the Company will be subject to the final audit by the Company's auditors the carrying value of the Group's investment in the Target Equity Interest as at the date of Completion and therefore may be different from the amount disclosed thereof.

The Consideration was determined based on normal commercial terms and after arm's length negotiations between the Purchaser and the Seller, with reference to, among other things, the valuation of 5.77% of the equity interest in Dongfeng Logistics of RMB331,496,300 as at Valuation Benchmark Date, as prepared by the Independent Valuer using market approach.

The Appraised Value

To assess the fairness and the reasonableness of the Consideration, we obtained the Valuation Report prepared by the Independent Valuer and noted that the Appraised Value was approximately RMB331,496,300 as at the Valuation Benchmark Date.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Appraised Value.

As regard to the qualifications and experience of the Independent Valuer, we conducted reasonable checks to assess the relevant qualifications, experience and expertise of the Independent Valuer, including reviewing supporting documents and discussing with the Independent Valuer their qualifications and experience. The Independent Valuer obtained relevant qualifications and registered in China Appraisal Society, completed filing procedures in China Securities Regulatory Commission and is allowed to conduct asset appraisal engaged in securities. Based on the supporting documents provided by the Independent Valuer, the Independent Valuer conducted appraisal works for various PRC companies.

We also noticed from the mandate letter that the Independent Valuer was engaged by the Company and the Purchaser jointly to prepare the Valuation Report. Having considered the following factors, including:

(i) as required under provision four of《資產評估基本準則》(Asset Evaluation Standards — Basic Standards*, the "**Valuation Standards**") as issued by Ministry of Finance of the PRC and updated in 2017, asset appraisal institution and its professional staff shall carry out asset appraisal activities in accordance with provisions of laws and administrative regulations, uphold to the principle of independence, objectivity and impartiality;

(ii) as required under provision six of the Valuation Standards, when asset appraisal institution and its professional staff shall carry out asset appraisal activities, they (a) should perform independently in analysing, evaluating and forming their opinion; (b) should not be affected by client or its relevant persons; and (c) should not determine the value on pre-setting basis;

(iii) 《資產評估職業道德準則 — 獨立性》(Code of Professional Ethics for Asset Evaluation — Independence*) as issued by China Appraisal Society in 2012 further elaborate and emphasis the independence of asset appraisal institution and certified valuers;

(iv) based on the public information and the 2022 Annual Report, none of the shareholders of the Independent Valuer owned more than 10% equity interests in the Company or the Purchaser; and none of the substantial Shareholders were shareholders of the Independent Valuer as at 31 December 2022;

(v) the Independent Valuer was selected through tendering process. We obtained tendering documents and noted that the Independent Valuer won the tendering; and

(vi) upon our request, the Independent Valuer confirmed that they are independent to the Group, Dongfeng Logistics and the Purchaser,

we are satisfied with the independence of the Independent Valuer in respect of the preparation of the Valuation Report.

We also reviewed the Valuation Report and enquired into the Independent Valuer on the methodology, bases and assumptions adopted in arriving at the Appraised Value in order for us to understand the Valuation Report.

With reference to the Valuation Report and as discussed with the Independent Valuer, the Independent Valuer considered the three generally accepted approaches, namely asset-based approach, income approach and market approach:

- Market approach refers to the appraisal idea of comparing the assets of the appraisal object with existing transaction cases in the market to determine the value of the appraisal object, which is used on the premise that: (i) there is an active open market with sufficient market data; (ii) there are comparable transaction cases with reasonable comparative basis in the open market; and (iii) it is able to collect relevant information of comparable transaction cases.

- Income approach refers to the appraisal idea of determining the value of the appraisal object by discounting the expected income of the appraised enterprise. The following preconditions must be met for application of the income approach: (i) future earnings of the appraisal object are predictable and can be measured by currency; (ii) the risks of obtaining the prospective earnings are predictable and can be measured by currency; and (iii) the number of years with prospective earnings is predictable.

- Asset-based approach refers to the appraisal idea of determining the value of the appraisal object on the basis of regaining assets, which is used on the premise that: (i) the appraisal object is in continuous use; and (ii) it is possible to investigate the current ways to obtain the appraisal object purchased and constructed and the corresponding social average cost data.

Although the Independent Valuer adopted both income approach and market approach to appraise market value of Dongfeng Logistics, the Independent Valuer finally concluded the Appraised Value by using market approach. After discussing with the Independent Valuer in respect of the three generally accepted approaches, and having considered the following:

(i) relevant information for similar companies for the purpose of market approach is publicly available;

(ii) based on the Independent Valuer's view, revenue of logistics companies are mainly derived from transportation services, warehousing management, supply chain value-added services, etc.. The profitability of the aforesaid services depends on logistics information platform.

Therefore, we concur with the Independent Valuer that the value of the logistics information platform could not be reasonably qualified through asset-based approach; and

(iii) the Independent Valuer considered that the future profitability of Dongfeng Logistics may be affected by various factors.

Upon our enquiry with the Directors, we understood that the Appraised Value of Dongfeng Logistics by the income approach was solely based on the information prepared by the management of Dongfeng Logistics. As a passive investor and minority shareholder, the Group (a) was not involved in the preparation of the Appraised Value; (b) was not involved in the daily operation of Dongfeng Logistics; (c) was not involved in the preparation of the financial statements of Dongfeng Logistics; and (d) does not have any representatives in the board of directors of Dongfeng Logistics,

we are of the view that the adoption of market approach to conclude market value of Dongfeng Logistics is fair and reasonable.

We noted that the Independent Valuer selected the comparable companies that (i) are listed on stock exchanges in the PRC for more than two years; (ii) operate the same or similar business and have been engaged in the business for a long period of time; and (iii) are not loss-making for the recent two financial years. Based on the aforesaid criteria, the Independent Valuer identified three comparable companies and as confirmed by the Independent Valuer, they are exhaustive. As the selection criteria enable the Independent Valuer (i) to identify companies that mainly engage in similar business activity as Dongfeng Logistics; and (ii) to collect sufficient data which are publicly available for the Independent Valuer to conduct the Appraised Value, we do not doubt the selection criteria adopted by the Independent Valuer.

For our due diligence purpose, we performed independent research on the comparable companies selected by the Independent Valuer. We noted that, based on public information and annual reports of these comparable companies, (i) these comparable companies are listed on either Shenzhen Stock Exchange or Shanghai Stock Exchange for more than two years; (ii) these comparable companies are principally engaged in the provision of logistics services in the PRC; and (iii) these comparable companies are not loss-making for the recent two financial years. Having considered that (i) the comparable companies are exhaustive according to the Independent Valuer's selection criteria; (ii) profit levels of comparable company B, comparable company C and Dongfeng Logistics for FY2022 are at similar levels; and (iii) total equity of comparable company A, comparable company C and Dongfeng Logistics as at 30 June 2023 are at similar levels, we consider that these comparable companies are fair and representative.

The Independent Valuer applied the multiples of enterprise value (the "**EV**") to net operating income after tax (the "**NOIAT**") (the "**EV/NOIAT**") for the purpose of arriving at the Appraised Value. Based on independent research, we noted that (i) there were valuation reports published by companies which listed on the Stock Exchange, Shanghai Stock Exchange or Shenzhen Stock Exchange, pursuant to which EV/NOIAT were adopted for valuation purpose; and (ii) according to an article published by China Appraisal Society dated 16 November 2022, it indicated that EV/NOIAT is one of the common valuation methods. Therefore, we consider the adoption of EV/NOIAT for the purpose of arriving at the Appraised Value is reasonable.

The Independent Valuer computed the EV of Dongfeng Logistics with reference to (i) NOIAT of Dongfeng Logistics for FY2021, FY2022 and 1H2023; and (ii) average EV/NOIAT of the comparable companies. The EV of Dongfeng Logistics was adjusted to exclude interest-bearing liabilities (i.e. nil as at 30 June 2023). For the avoidance of doubt, the Independent Valuer did not adopt any control premium. As the control premium is to reflect the premium a buyer typically pays for the ability to direct operational, managerial and financial decision of target company, and the Target Equity Interest is 5.77% of total equity interest in Dongfeng Logistics, we are of the view that it is reasonable not to adopt control premium in the Appraised Value.

The Independent Valuer further took into account the non-operating assets, non-operating liabilities and surplus assets of Dongfeng Logistics as at the Valuation Benchmark Date, details of which are set out below:

- The book value of non-operating assets was approximately RMB1,084 million as at 30 June 2023 and the appraisal value of non-operating assets was approximately RMB506 million as at 30 June 2023. According to the Appraised Value, the difference between the book value and appraisal value of non-operating assets was mainly due to the change in long-term investments in investee companies of Dongfeng Logistics;

  We noted from the Valuation Report that Dongfeng Logistics had eight investee companies (for the avoidance of doubt, such investee companies were not subsidiaries of Dongfeng Logistics) as at 30 June 2023. The appraised value of the eight investee companies were concluded by making reference to their net asset value and percentage of equity interests owned by Dongfeng Logistics as at 30 June 2023. Appraisal value of one of the eight investee companies was substantially lower than the book value recorded in long-term investments in investee companies of Dongfeng Logistics, which was mainly due to the difference between the book value recorded in long-term investments in investee companies of Dongfeng Logistics and net asset value of such company as at 30 June 2023.

  As advised by the Independent Valuer, they had applied same valuation methodologies for appraising investee companies in other similar cases. Based on our independent research, we noted that there were adoptions of similar methodologies for the valuation of investee companies (which was not a subsidiary) of target company;

- the appraisal value of non-operating liabilities (including dividend payable (i.e. declared but not distributed dividend of Dongfeng Logistics for FY2022 as at 30 June 2023)) represented book value of such non-operating liabilities as at 30 June 2023; and

- the amounts of surplus assets was made reference to the monetary fund of Dongfeng Logistics as at 30 June 2023.

Given that (i) the value of non-operating assets, non-operating liabilities and surplus assets may not fairly be reflected by EV/NOIAT in market approach; and (ii) it is not unusual for valuers to adjust non-operating assets, non-operating liabilities and surplus assets based on other valuation reports for Hong Kong listed companies, we are of the view that it is fair and reasonable for the Independent Valuer to take into account the non-operating assets, non-operating liabilities and surplus assets of Dongfeng Logistics.

The Independent Valuer further excluded the value of non-controlling interests, based on the proportion of non-controlling interests to total equity of Dongfeng Logistics.

Having considered the aforementioned and during our discussion with the Independent Valuer and based on the Independent Valuer's qualification and experience, we have not identified any major factor which caused us to doubt the reasonableness of the principal bases and assumption used in the Appraised Value.

Other trading multiples analyses

As (i) the Independent Valuer assessed appraisal value of long-term investment in investee companies by making reference to such companies' net asset value and Dongfeng Logistics' shareholding in such companies as at 30 June 2023; and (ii) the Independent Valuer adopted EV/NOIAT, we further assessed the fairness and reasonableness of Dongfeng Logistics' market value by other trading multiples analyses.

We adopted EV to earnings before interest, tax, depreciation and amortization (the "**EBITDA**") ratio (the "**EV/EBITDA**"), which is commonly adopted method for the purpose of assessing the fairness and reasonableness of the Consideration. Furthermore, given that (i) logistics business is sales-driven; and (ii) we have adopted EV/EBITDA (a price multiple with EV as numerator) and for the sake of our consistent comparison, we adopted EV to sales ratio (the "**EV/S**") instead of price-to-sales multiple, for analyses purposes.

Based on the above, we searched for Hong Kong listed companies which (i) are principally engaged in similar line of business as Dongfeng Logistics (being logistic services in the PRC); (ii) derived more than 50% of their turnover from such businesses in aggregate for their latest financial year; (iii) have been listed for at least one year and with shares not suspended for over three months; and (iv) are with positive EV. We found six comparable companies listed below which met the aforesaid criteria and they are exhaustive (the "**Comparable Company/ies**").

Set out below are EV/EBITDA and EV/S of the Comparable Companies based on their closing prices as at the Agreement Date and their latest published financial information immediately before Agreement Date:

Company name (Stock code)	**Principal business**	**EV/EBITDA** *(Note 1, 2, 3)*	**EV/S** *(Note 1, 4, 5)*
ZTO Express (Cayman) Inc. (2057)	engaged in parcel sorting and line-haul transportation to certain enterprise customers, including vertical e-commerce and traditional merchants, in connection with the delivery of their products to end consumers	10.55	3.23
JD Logistics, Inc. (2618)	engaged in comprehensive, integrated, customizable warehousing and distribution services; express and freight delivery services; one-stop bulky item warehousing, transportation, delivery and installation services; integrated cold chain warehousing, transportation and delivery services and cross-border supply chain services	4.79	0.37
Hangzhou SF Intra-city Industrial Co., Ltd. (9699)	engaged in intra-city on-demand delivery services in the PRC, providing both (i) intra-city delivery for merchants and consumers; and (ii) last-mile delivery mainly for logistics companies	N/A *(Note 6)*	0.60
Yues International Holdings Group Limited (1529)	engaged in the provision of transportation, warehousing, in-plant logistics and customisation services	31.05	0.59
ANE (Cayman) Inc. (9956)	engaged in express services, including transportation services, value-added services and delivery services	5.57	0.65
Vision Values Holdings Limited (862)	engaged in (i) network solutions and project services; (ii) property investment; (iii) minerals exploration; (iv) private jet management services; and (v) logistics services	23.20	1.13
	Maximum:	31.05	3.23
	Minimum:	4.79	0.37
	Average:	15.03	1.10
	Median:	10.55	0.63
Dongfeng Logistics *(Note 7)*		8.22	1.05

Source: Stock Exchange's website

Notes:

1. EV of the Comparable Companies were calculated based on their respective market capitalization as at Agreement Date, total interest-bearing debts and minority interest, minus by its cash and cash equivalents (including short-term investment).

2. EBITDA of the Comparable Companies and Dongfeng Logistics were calculated as their respective latest audited profit before tax, excluding the impacts of depreciation and amortisation, interest income, and finance cost.

3. EV/EBITDA of the Comparable Companies and Dongfeng Logistics were calculated by dividing their respective EV by their respective EBITDA.

4. Sales of the Comparable Companies and Dongfeng Logistics represented their respective latest audited total consolidated revenue.

5. EV/S of the Comparable Companies and Dongfeng Logistics were calculated by dividing their respective EV by their respective sales.

6. The subject company recorded negative EBITDA for its latest financial year according to its latest published financial information immediately before Agreement Date.

7. EV of Dongfeng Logistics was calculated as the sum of (i) the Appraised Value; and (ii) Dongfeng Logistics' total interest-bearing debts and minority interest less its cash and bank balances.

8. The exchange rates of HK$1: RMB0.90920, being the median exchange rate on the Agreement Date as published by The People's Bank of China was adopted for the calculation purpose.

We noted from the above table that (i) the implied EV/EBITDA of Dongfeng Logistics of approximately 8.22 times falls within the EV/EBITDA range of the Comparable Companies (ranging from approximately 4.79 times to approximately 31.05 times) and is lower than the average EV/EBITDA of the Comparable Companies (being approximately 15.03 times) and median of EV/EBITDA of the Comparable Companies (being approximately 10.55 times); and (ii) the implied EV/S of Dongfeng Logistics of approximately 1.05 times falls within the EV/S range of the Comparable Companies (ranging from approximately 0.37 times to approximately 3.23 times), is lower than the average EV/S (being approximately 1.10 times) but higher than the median of EV/S (being approximately 0.63 times) of the Comparable Companies.

Despite that the implied EV/EBITDA and EV/S of Dongfeng Logistics are below average EV/EBITDA and EV/S for the Comparable Companies respectively, we noted that (i) the implied EV/EBITDA of Dongfeng Logistics falls within the EV/EBITDA range of the Comparable Companies and higher than two out of five Comparable Companies (one Comparable Company recorded negative EBITDA and has no meaningful EV/EBITDA); and (ii) the implied EV/S of Dongfeng Logistics falls within the EV/S range of the Comparable Companies and higher than four out of six Comparable Companies.

Based on the above, we are of the view that the implied value of Dongfeng Logistics was not undervalued in the aspects of EV/EBITDA and EV/S.

Our conclusion on the Consideration

Having considered that (i) the Consideration represented the Appraised Value of Target Equity Interest; and (ii) the implied value of Dongfeng Logistics was not undervalued in the aspects of EV/EBITDA and EV/S according to our analyses on EV/EBITDA and EV/S as mentioned above, we are of the opinion that the Consideration for the Disposal is fair and reasonable.

Completion

With reference to the Board Letter, after the fulfilment of all the conditions precedent and upon the receipt of the Consideration, the Seller and Dongfeng Logistics shall complete all relevant procedures in respect of the transfer of the Target Equity Interest, including but not limited to, the change of shareholders registration, the Seller will cease to hold any equity interest of Dongfeng Logistics and the Group will continue to hold 8.66% equity interest in Dongfeng Logistics which continues to be recognized as a financial asset at fair value through profit or loss.

Arrangements during the Transitional Period

With reference to the Board Letter, during the Transitional Period, any profit or loss of the Dongfeng Logistics shall be enjoyed or borne (as the case may be) by the Purchaser in proportion to its respective equity interests in Dongfeng Logistics as if Completion has taken place.

We further noted from the Share Transfer Agreement that the Seller shall actively urge Dongfeng Logistics not to (a) carry out any form of cash/profit/other asset distribution; (b) change its registered capital or equity structure; (c) transfer or sell its major assets or business; (d) lend money to any entity or provide guarantee; and (e) enter into any abnormal contract or contract which only imposes obligations on Dongfeng Logistics during the Transitional Period.

Our conclusion on terms of the Disposal

Having reviewed and considered the terms of the Share Transfer Agreement in particular the key terms as listed above (including the Consideration being fair and reasonable; and no abnormal term observed), we are of the view that the terms of the Disposal are on normal commercial terms and are fair and reasonable.

Possible financial effects

With reference to the Board Letter, upon Completion, the Group will continue to hold 8.66% equity interest in Dongfeng Logistics which continues to be recognized as a financial asset at fair value through profit or loss.

With reference to the Board Letter and as discussed with the Directors,

(i) it is expected that the net proceeds from the Disposal in the amount of approximately RMB312.79 million (after deducting all relevant fees and expenses) will be used for the repayment of debt of the Group.

Therefore, the Group's total liabilities would decrease immediately upon the utilizing net proceeds from the Disposal for the repayment of debt of the Group; and

(ii) based on the Consideration and the fair value of the Group's investment in the Target Equity Interest as at 31 December 2022 of approximately RMB377.85 million recognized as financial assets with a fair value through profit or loss, it is estimated that the Group will record a loss of approximately RMB6.72 million.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Disposal are on normal commercial terms and are fair and reasonable; and (ii) although the Disposal is not conducted in the ordinary and usual course of business of the Group, the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Transfer Agreement and the Disposal and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *for identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (https://www.zhengtongauto.com):

(a) on pages 77 to 189 of the annual report of the Company for the year ended 31 December 2020 published on 29 April 2021 (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901907.pdf);

(b) on pages 80 to 195 of the annual report of the Company for the year ended 31 December 2021 published on 28 April 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801306.pdf);

(c) on pages 77 to 195 of the annual report of the Company for the year ended 31 December 2022 published on 18 April 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0418/2023041800229.pdf); and

(d) on pages 18 to 51 of the interim report of the Company for the six months ended 30 June 2023 published on 12 September 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0912/2023091200137.pdf).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 November 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had the following indebtedness.

Bank loans and other borrowings

As at 30 November 2023, the Group had outstanding borrowings as follows:

	RMB'000
Guaranteed secured borrowings	6,831,678
Guaranteed unsecured borrowings	10,282,336
Unguaranteed unsecured borrowings	2,967,970
	20,081,984

Assets pledged as security

	RMB'000
Cash and bank	3,830,305
Property, plant and equipment	1,001,528
Right-of-use assets — land use rights	818,682
Inventory	2,552,968
Shares of subsidiary	494,000
	8,697,483

Lease liabilities

As at 30 November 2023, the Group had lease liabilities of approximately RMB1,418 million.

Capital commitments

As at 30 November 2023, capital commitments of the Group were as follows:

	RMB'000
Contracted for	820,337

Contingent liabilities

In 2018, Wuhan Zhengtong United Industrial Investment Group Co., Ltd. ("**Wuhan Zhengtong**"), a subsidiary of the Company, and Beijing Guangze Real Estate Development Co., Ltd. ("**Beijing Guangze**") entered into a general contract agreement (the "**General Contractor Agreement**") pursuant to which Wuhan ZhengTong engaged Beijing Guangze to undertake the development, establishment, re-establishment and expansion of 4S stores and relevant commercial projects owned by the Group. The contract consideration shall be utilized by Beijing Guangze as the general contractor for such costs as consultant fees for hiring professional service companies, approval and construction application fees, construction and installation fees and ancillary facilities fees. Details of the General Contractor Agreement had been disclosed in the Company's announcement dated 13 March 2018.

In July 2022, the Group received a payment request of RMB6 million from one of the sub-contractors that had been involved in certain 4S Stores and commercial projects (the "**Subcontractor**"), as Beijing Guangze failed to fulfil its obligations under the General Contractor Agreement.

In accordance with the PRC legal opinion obtained by the Company from an external legal advisor, Beijing Guangze is the primary obligor for the relevant construction payments taking into account such facts and circumstances, among others, (i) Beijing Guangze had undertaken its general contractor role for the projects since the establishment of relevant contracts in prior years and the Group had entrusted Beijing Guangze with the projects, and (ii) the Group had already fulfilled its obligations including the payment made to Beijing Guangze in accordance with the General Contractor Agreement. The historical payments to Beijing Guangze in relation to the Subcontractor is assessed to be approximately RMB236 million.

While the Subcontractor has not initiated any formal legal proceedings against the Group in this connection and the future development cannot be estimated with certainty, the directors of the Company, having given due consideration to the legal advice and the relevant facts and circumstances, are of the opinion that it is not probable that the Group will be sued by the Subcontractor or the Group will need to make payments to the Subcontractor. Therefore, no provision has been made in respect of this matter as at 30 November 2023.

Save as disclosed above, except and apart from the intra-group liabilities and normal trade payables in the ordinary course of business of the Group, as at the close of business on 30 November 2023, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, lease liabilities or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges or guarantees or other contingent liabilities.

3. WORKING CAPITAL

Taking into account the effect of the transactions contemplated under the Share Transfer Agreement and the financial resources available to the Group, including internally generated funds and external borrowings, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular.

4. NO MATERIAL ADVERSE CHANGE

The Group incurred a net loss of approximately RMB386 million for the six months ended 30 June 2023 which is mainly attributable to the decrease in gross profit margin from sales of new automobiles during the period.

Further information is set out in the interim report of the Company for the six months ended 30 June 2023.

Save as the above, as at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first half of 2023, the automotive industry in China moved quickly to adapt to changes. The automobile dealership industry also experienced various pressures and challenges. Despite an overall insufficient market demand due to factors such as changes in the China VI A standard and the price adjustment of new energy vehicles, the Group continued to focus on developing the luxury and ultra-luxury branded automobile sales business and after-sales service business, and was still able to maintain relatively stable operating results, with each of the core brands such as BMW, Mercedes-Benz, Porsche, Audi and Jaguar Land Rover having completed the wholesale and retail assignments of the OEMs.

For the six months ended 30 June 2023, the Group recorded a revenue of approximately RMB12,310 million, representing a period-on-period growth of approximately 11.2%, and gross profit of approximately RMB630 million, representing a period-on-period decrease of approximately 33.6%. In the first half of 2023, the stores of the Company received a total of 193 awards from automobile manufacturers, local governments, industry media and industry associations, among which 165 were awarded by manufacturers, while 28 were awarded by local governments, media and industry associations.

As an automobile dealership group dedicated to the distribution of luxury and ultra-luxury brands, the Group will maintain its focus on luxury automobile brands, increase overall cooperation with OEMs (including in respect of new energy projects), strengthen strategic partnerships with domestic mainstream luxury and ultra-luxury branded OEMs, and optimize brand structure and store profitability under its long-term network expansion strategy.

Spurred by the new energy vehicle purchase tax subsidy and consumption recovery policies, the Group will seize market opportunities, and continue to strengthen management and improve the quality of its operation by refining assessment methods and focusing on per capita efficiency. In addition, the Group will continue to make use of its existing store resources and channels to vigorously expand the export business of pre-owned automobiles by leveraging favorable policy, market and logistics conditions. At the same time, the Group will actively study the development trends and directions of the automobile dealership industry, pay attention to market opportunities arising from new energy and new dealership models, and seize opportunities to participate in the sales, maintenance and related businesses of new brands and independent domestic brands with development potential. The Company will analyze the characteristics of the automobile dealership industry, explore service and business growth points, and expand into the automotive industry chain and explore new business opportunities.

The following is the text of the report dated 10 November 2023 prepared for the purpose of incorporation in this circular received from Lianhe Zhonghe Land and Real Estate Assets Appraisal Co., Limited (聯合中和土地房地產資產評估有限公司), an independent valuer, in connection with its valuation as at 30 June 2023 of the equity interests held by the Group.*

STATEMENTS

1. This asset valuation report is prepared in accordance with the basic asset valuation standards issued by the Ministry of Finance and the asset valuation practice standards and professional ethics standards issued by the China Appraisal Society.

2. The principal or other users of the asset valuation report shall use the asset valuation report in accordance with the provisions of the laws, administrative regulations and the scope of use specified in the asset valuation report. If the appointer or other users of the asset valuation report use the asset valuation report in violation of the foregoing provisions, the asset valuation agency and the undersigning asset valuers shall not be liable.

3. The asset valuation report can only be used by the appointer, other users of the asset valuation report as agreed in the asset valuation entrustment contract and users of the asset valuation report as stipulated in the laws and administrative regulations. Save as aforesaid, other institutions or individuals are not allowed to use the asset valuation report.

4. The asset valuation agency and the undersigning asset valuers of this asset valuation report shall remind the user of this asset valuation report that he/she should correctly understand the valuation conclusion, and the user of this asset valuation report should be aware that the valuation conclusion is not equivalent to the realisable price of the valuation target. The valuation conclusion shall not be considered as a guarantee for the realisable price of the valuation target.

5. The asset valuation agency and the undersigning asset valuers of this asset valuation report shall abide by the laws, administrative regulations and the asset valuation standards, adhere to the principles of independence, objectivity and impartiality, and assume responsibility for the asset valuation report issued according to law.

6. The analysis, judgements and conclusions issued by the undersigning asset valuers of this asset valuation report are subject to the hypotheses and conditions precedent, the statement of special matters and restrictions set out in the asset valuation report. The users of this asset valuation report shall pay attention to the hypotheses and conditions precedent establishing the valuation conclusion as well as the special notes and restrictions over use contained herein.

7. The list of assets and liabilities involved in the asset valuation target were declared by the principal or other relevant parties. It is the responsibility of the principal and other relevant parties to provide the information required for this asset appraisal business in accordance with the law and to ensure the truthfulness, integrity and legality of the information; the principal and other relevant parties shall confirm the truthfulness,

integrity and legality of the asset appraisal schedules and other important information provided by the principal and other relevant parties by adopting the signature, affixing the seal.

8. The undersigning asset valuers of this asset valuation report have no existing or expected interest in the valuation target; at the same time, there is no personal interest relationship with the principal and the relevant parties, and there is no prejudice against the principal and the relevant parties.

9. The undersigning asset valuers of this asset valuation report have placed necessary concern over the status of legal ownership of the valuation subject and its assets involved, as well as the supporting materials related to the asset appraisal. The asset valuer limited the ownership of objective conditions to the appraised assets and the certification materials related to asset appraisal based on professional judgment and general investigation, without substantive verification, and have made true disclosure on problems identified. However, the asset valuer's concern and investigation conclusion cannot relieve or replace the responsibility of the principal and relevant parties to provide real certification materials, nor can they be regarded as a form of warranty or endorsement.

10. The conclusions of this asset valuation will only be used within the validity period of the use of the valuation conclusions as set out in this asset valuation report. The user of this asset valuation report shall reasonably determine the useful life of the valuation report according to the asset status and market changes after the valuation benchmark date. Generally, the asset valuation report can only be used when the period between the Valuation Benchmark Date and the economic behaviour realization date is less than one year.

11. The undersigning asset valuers of this asset valuation report and their asset valuation agencies have the professional qualifications and relevant professional appraisal experience required for this asset valuation business. Except that the relevant matters involved in the valuation of the assets disclosed in the report, the work results of other valuation agencies and experts were not used in the appraisal process.

12. Without the consent of the asset valuation agency, all or part of the contents of the asset valuation report shall not be extracted, quoted or disclosed in the public media, except as stipulated by laws and regulations and otherwise agreed by the principals and relevant parties.

13. This asset valuation report is an asset valuation report for which the Ministry of Finance of the People's Republic of China is the competent authority, and follows the relevant regulations, systems, and appraisal criteria formulated and promulgated by the Ministry of Finance of the People's Republic of China. No department, unit or natural person shall bind or regulate the contents of this asset valuation report and the code of practice of the valuation agency with the relevant appraisal regulations formulated by relevant departments other than those formulated or promulgated by the Ministry of Finance.

14. In this asset appraisal, the values of some of the parameters and indicators of the appraised assets are subject to the professional judgement and experience level of the asset appraisal professionals of the project, which may vary from one asset appraisal professional to another, and the attention of the user of the report is drawn to the fact that the values of these parameters and indicators are subject to the professional judgement and experience level of the asset appraisal professionals of the project. Users of the report should be aware that the conclusions drawn may vary between different professions and educational backgrounds.

SUMMARY OF ASSET VALUATION REPORT

Lian He Zhong He Ping Bao Zi (2023) No. 5034

PRINCIPALS, APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT AS STIPULATED IN THE ASSET VALUATION COMMISSION CONTRACT

The principals are the Company and the Purchaser, and the appraised entity is Dongfeng Logistics.

Other users of the asset valuation report as stipulated in the asset valuation commission contract: this report shall only be used by the principal and the appraised entity in accordance with national laws and regulations for the purpose of achieving the economic behaviours required for this purpose, and there are no other users of the asset valuation report.

PURPOSE OF APPRAISALS

According to the meeting minutes of the Company (No. [2023]22), the Company is proposed to transfer the 5.77% equity interest in Dongfeng Logistics held by the Seller to the Purchaser. In accordance with the relevant regulations on state-owned assets management, it is necessary to evaluate the 5.77% equity interest in Dongfeng Logistics.

The purpose of this asset evaluation is to fairly reflect the market value of the 5.77% equity interest in Dongfeng Logistics as at the Valuation Benchmark Date, in order to provide value reference for the proposed equity transaction between the Company and the Purchaser.

EVALUATION OBJECT AND SCOPE

Evaluation object is the 5.77% equity interest in Dongfeng Logistics held by the Seller, a subsidiary of the Company. The scope of the evaluation is all declared and audited assets and related liabilities of Dongfeng Logistics as at 30 June 2023.

TYPE OF VALUE AND ITS DEFINITION

The type of value of this asset appraisal is market value.

VALUATION BENCHMARK DATE

The valuation benchmark date is 30 June 2023.

VALUATION METHOD

Market approach and income approach.

(I) Brief introduction of valuation method

According to the current asset valuation standards and relevant regulations, the basic methods for enterprise value appraisal include market approach, income approach and asset-based approach. In the specific appraisal, it is necessary to analyse the applicability of the three basic approaches for asset valuation according to the relevant conditions such as the appraisal object, value type and data collection, and properly select the valuation methods to form the appraisal results reasonably.

1. Market approach

Market approach refers to the appraisal idea of comparing the assets of the appraisal object with existing transaction cases in the market to determine the value of the appraisal object, which is used on the premise that:

(1) there is an active open market with sufficient market data;

(2) there are comparable transaction cases with reasonable comparative basis in the open market; and

(3) it is able to collect relevant information of comparable transaction cases.

2. Income approach

Income approach refers to the appraisal idea of determining the value of the appraisal object by discounting the expected income of the appraised enterprise. The following preconditions must be met for application of the income approach:

(1) future earnings of the appraisal object are predictable and can be measured by currency;

(2) the risks of obtaining the prospective earnings are predictable and can be measured by currency; and

(3) the number of years with prospective earnings is predictable.

3. Asset-based approach

Asset-based approach refers to the appraisal idea of determining the value of the appraisal object on the basis of regaining assets, which is used on the premise that:

(1) the appraisal object is in continuous use; and

(2) it is possible to investigate the current ways to obtain the appraisal object purchased and constructed and the corresponding social average cost data.

(II) Selection of valuation method

The appraisal object of this appraisal project is equity interest. Since it is difficult to collect public information related to the equity trading market, it is difficult to obtain detailed information of the equity trading cases in the open market that are the same as or similar to those of this appraisal object. However, as there are many listed companies in the same industry in the capital market, the value of the appraisal object can be determined on the basis of calculation of appropriate value ratios and comparative analyses with the appraised enterprise. As such, the market approach has been adopted in this asset appraisal.

Based on the asset appraisal professionals' understanding of the current operating status, business plans and development plans of the appraised entity, as well as the research and analysis of the relevant industries and markets on which the appraised entity depends, the asset valuation professionals are of the opinion that Dongfeng Logistics is competitive among its peers in the industry, and has predictable capabilities of continuous operation and profitability in the future, making it possible to reasonably anticipate the income margin related to the future risk level of the enterprise, so it is appropriate to adopt the income approach in the appraisal.

The ownership of various assets and liabilities of Dongfeng Logistics is basically clear, and the relevant information is relatively complete with available historical data. Although the value of the assets and liabilities can be evaluated and estimated by using the asset-based approach, and the value of identifiable intangible assets out of the balance sheet can also be assessed by using the income approach, the revenues of the logistics enterprise are mainly derived from transportation services, warehousing management and value-added services in the supply chain, and the profitability of these revenue items depends on the logistics information platform. The value of a logistics information platform lies in the provision of full-process and real-time logistics tracking services for enterprises and individuals to enhance the transparency and efficiency of logistics. As the asset-based approach is unable to reasonably quantify the value of the "logistics information platform" alone, it cannot comprehensively and objectively reflect the market value of the enterprise under appraisal, whereas the market approach and the income approach can fully reflect the market value of the enterprise. Therefore, the asset-based approach has not been adopted in this appraisal.

Based on the analysis above, we have determined that the income approach and the market approach were adopted respectively in this asset appraisal, the valuation approach for the final appraised value of the entire shareholders' equity of Dongfeng Logistics Group Co., Ltd. (東風物流集團股份有限公司) would be determined after a comprehensive analysis.

(III) Introduction to market approach

1. Overview

According to the definition in the Asset Valuation Standards — Enterprise Value, the market approach refers to the valuation method whereby the value of the appraisal target is determined by comparing the appraisal target with comparable listed companies or comparable transaction cases. The market approach, also known as the relative valuation approach, is a valuation method widely used internationally.

2. Basic model

The fundamental principle underlying the market approach is the principle of market substitution, which states that a normal investor would not pay more for an asset than the prevailing market price of a substitute with the same purpose in the market. According to this principle, similar enterprises should have similar values. Therefore, the values of assessed enterprises with similarity and the values of comparable targets can be linked by the same economic indicator, being:

$$\frac{V_1}{X_1} = \frac{V_2}{X_2}$$

$$V_1 = \frac{V_2}{X_2} \times X_1$$

Of which:

V_1 : denotes the value of the appraised enterprise

V_2 : denotes the value of the comparable target

X_1 : denotes the economic indicator of the appraised enterprise selected for its value ratio calculation

X_2 : denotes the economic indicator of the comparable target selected for its value ratio calculation

$\frac{V_1}{X_1}$: denotes the value ratio of the appraised enterprise

$\frac{V_2}{X_2}$: denotes the value ratio of the comparable target

As the realisation of value is relatively complex and cannot be directly observed, and in an efficient market, the market trading price of an enterprise can reflect its value to a certain extent. Therefore, for comparable target, asset appraisal professionals generally use their transaction prices as a proxy for calculating the value ratios.

There are two commonly used specific methods under the market approach, which are listed company comparison method and transaction cases comparison method.

The listed company comparison method determines the value of the appraisal target by obtaining and analysing the operational and financial information of comparable listed companies, calculating appropriate value ratios and comparing them to the data of the appraised enterprise.

The transaction case comparison method determines the value of the appraisal target by obtaining and analysing the information on the trading and merger and acquisition cases of comparable target, calculating appropriate value ratios and comparing them to the data of the appraised enterprise.

For the listed company comparison method, firstly, choose listed companies which operate in the same industry where the appraised enterprise operates and are active in stock trading as comparable companies and calculate the market values of the comparable companies through their trading share prices. Secondly, choose one or more income, asset class or other special category value ratios for the asset group or combination of asset group being appraised as the "analytical parameters". Lastly, calculate the proportional relationship between the market value of the comparable company and the selected analytical parameter — which is called ratio multiplier. The above ratio multipliers are applied to the corresponding analytical parameters of the appraised enterprise to obtain the market value of the appraised enterprise.

Specific steps:

(1) Select comparable listed companies based on comparative factors such as total assets, return on total assets and type of business.

(2) Choose income, asset class, and specific non-financial indicator parameters of the comparable companies, such as net profit, total assets, net assets, total revenue, and research and development expenses, as the analytical parameters.

(3) Calculate the proportional relationship between the market value of the comparable company and the selected analytical parameter — which is called ratio multiplier.

(4) The market value of the appraised enterprise is obtained by multiplying the arithmetic average of the ratio multipliers of the comparable companies by the corresponding analytical parameters of the appraised entity, and taking into account other adjustment factors as appropriate.

(IV) Introduction to income approach

Income approach is an asset appraisal approach that obtains the appraised value of the appraised asset by estimating the future expected income of the appraised asset and summing up their present values by using an appropriate discount rate. Details are as follows:

1. Appraisal procedures

A. Preparations

The asset appraisal professionals shall submit to the appraised entity a list of the information required for the income approach appraisal and the questions to know, provide counselling to the relevant personnel of the enterprise in collecting information and filling in materials for forecasting the future profitability of the enterprise, use the relevant information to understand the situation of the enterprise, and make a preliminary determination of the specific ways and approach to be adopted for the appraisal.

B. Market research

Asset appraisal professionals should conduct research and analysis on macroeconomic information, relevant laws and regulations, industry development information, market and competition, the position of the enterprise in the industry and its own development, and summarise and record the results of the market research and analysis.

C. Field research

Asset appraisal professionals should listen to briefings by corporate management, discuss with management and executives about the company's situation, collect specific information and relevant data, summarise and collate the information obtained and verify the authenticity.

D. Financial analysis and forecasting

On the basis of market research and field research, analyse the financial and operating conditions of the appraised entity, make necessary analysis on and adjustments to the financial statements of the appraised entity, discuss revisions to the relevant methodology, assumptions and parameters based on the materials provided by the appraised entity on forecast of its future profitability in the light of the actuality and likelihood of the appraised entity, and propose amendments to the information and profit forecast statement, so as to assist the enterprise in revising its future profit forecast statement.

E. Appraisal and estimation

Based on the revised forecast results provided by the appraised entity, the appraisal result was calculated by reviewing the relevant information, selecting the appraisal ways and specific approaches.

2. Selection of income model

Considering the purpose of this appraisal and the actual conditions of the appraisal object, the Independent Valuer adopts the method of discounting the free cash flow of the enterprise to determine the value of operating assets of the enterprise, determine the overall value of the company by correction after analysing and considering the value of surplus assets and non-operating assets and liabilities of the enterprise, and determine the value of the entire shareholders' equity of the company by deducting interest-bearing debts of the company.

The formula is as follows:

Value of the entire shareholders' equity
= Overall enterprise value – Interest-bearing debts

Overall enterprise value
= Value of operating assets + Value of surplus assets + Value of non-operating assets (net of liabilities)

The formula expressed in symbols is as follows:

$$E = B - D = P + \sum C_i - D = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_n}{r(1+r)^n} + \sum C_i - D$$

Where:

E : denotes the value of the entire shareholders' equity
B : denotes the enterprise value
D : denotes the value of interest-bearing debts
P : denotes the value of operating assets
R_i : denotes the expected income in the i-th year in the future (free cash flow)
R_n : denotes the expected income in the perpetual period (free cash flow)
r : denotes the discount rate
n : denotes the specific forecast period
$\sum C_i$: denotes the value of surplus assets and non-operating assets and liabilities subsisting at the benchmark date

3. Appraisal and calculation process

A. Determination of income period and forecast period

In this appraisal, it is assumed that the term of business of the company is perpetual. The sectioning method is adopted to forecast the income of the company, which separates future incomes of the company into incomes during the specific forecast period and incomes after the specific forecast period. The specific forecast period is determined on the basis of a combination of factors such as the cyclicality of the industry in which the company operates and the cyclicality of the company's own development.

B. Determination of future income

In this appraisal, the free cash flow of the enterprise is adopted as an income indicator and the formula is as follows:

Free cash flow of the enterprise
= Net profit + Finance costs (after tax) + Depreciation and amortisation – Net increase in working capital – Capital expenditures

Net profit
= Operating revenue – Operating costs – Taxes and surcharges – Administrative expenses – Selling expenses – Research and development expenses – Finance costs + Non-operating revenue – Non-operating expenses – Income tax

Based on the company's operating history, future development plans, market conditions, macroeconomic and industry development overviews, the asset appraisal professionals forecast the company's various operating revenues and costs and expenses for the future operating periods and determine the corporate free cash flow for each period.

C. Determination of discount rate

On the income basis, the weighted average cost of capital (WACC) is adopted as discount rate, the calculation formula of which is as follows:

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

Where:

$WACC$: denotes the weighted average cost of capital;

K_e : denotes the cost of equity capital;

K_d : denotes the cost of debt capital;

T : denotes the corporate income tax rate;

$\frac{D}{E}$: denotes the corporate target capital structure.

Of which:

The cost of debt capital K_d, being the market rate of return on debt capital, adopts the current average interest rate.

The cost of equity capital K_e is obtained based on the international commonly used CAPM model, with the calculation formula as follows:

$$K_e = R_f + Beta \times MRP + R_c = R_f + Beta \times (R_m - R_f) + R_c$$

Where:

K_e : denotes the cost of equity capital

R_f : denotes the risk-free rate

R_m : denotes the market yield

$Beta$: denotes the systematic risk coefficient of equity

MRP : denotes the market risk premium

R_c : denotes the enterprise-specific risk adjustment coefficient

D. Determination of surplus assets and non-operating assets and liabilities

Surplus assets refer to the assets exceeding the business requirements of the enterprise, that have no direct relation to the operating income of the enterprise; non-operating assets and liabilities refer to the assets and liabilities that have no direct relation to the normal operating income of the enterprise, including the assets that do not generate profit and the assets and liabilities with no relation to appraisal of forecast income. The former does not contribute to the direct operating income of the enterprise, while the latter, although contributing to the income of the enterprise, is not taken into account in the income forecast.

E. Determination of the appraised value of interest-bearing debts

Interest-bearing debts are the debt capital of the enterprise and represent the debts for which the appraised enterprise shall make interest payments as at the valuation benchmark date.

F. Determination of the value of the entire shareholders' equity of the enterprise

According to the data as determined above, the income approach formula is used to calculate and determine the appraised value of the entire shareholders' equity of the enterprise.

Set out below is the breakdown of the value of Dongfeng Logistics based on income approach:

	RMB
Value of Dongfeng Logistics (before including the value of the net non-operating assets and surplus assets) *(Note 1)*	4,570,160,100
Add: Non-operating assets *(Note 2)*	506,187,500
Add: Surplus assets *(Note 3)*	1,045,058,800
Less: Non-operating liabilities *(Note 4)*	366,330,800
Appraised value of Dongfeng Logistics based on income approach (rounded to nearest RMB ten thousand)	5,755,080,000

Notes:

1. Value of operating assets of Dongfeng Logistics (before including the value of the net non-operating assets and surplus assets) was derived from the present value of the forecast free cashflows from operating assets of Dongfeng Logistics attributable to owners of equity ("**Free Cashflows**") for each of the forecast periods discounted at the discount rate of 9.85% (with WACC adopted) (the "**Discount Rate**") as of the Valuation Benchmark Date:

	Forecasted Financial Data					
	For the six months ended 31 December	**For the year ending 31 December**				**Perpetual**
	2023	**2024**	**2025**	**2026**	**2027**	**period**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Free Cashflows	284,774.5	337,883.2	408,365.1	426,181.5	472,862.6	430,250.2
Discount Rate	9.85%	9.85%	9.85%	9.85%	9.85%	9.85%
Present Value of the forecast Free Cashflows discounted at the Discount Rate	278,164.1	307,585.9	338,414.1	321,510.0	324,739.2	2,999,746.7
Aggregate amount of the present values of the forecast Free Cashflows discounted at the Discount Rate			4,570,160.1			

2. The book value of non-operating assets was approximately RMB1,084 million as at 30 June 2023 and the appraisal value of non-operating assets was approximately RMB506 million as at 30 June 2023. According to the Valuation, the difference between the book value and appraisal value of non-operating assets was mainly due to the change in long-term investments in investee companies of Dongfeng Logistics.

   Dongfeng Logistics had eight investee companies (for the avoidance of doubt, such investee companies were not subsidiaries of Dongfeng Logistics) as at 30 June 2023. The valuation of the eight investee companies were concluded by making reference to their net asset value and percentage of equity interests owned by Dongfeng Logistics as at 30 June 2023. Appraisal value of one of the eight investee companies was substantially lower than the book value recorded in long-term investments in investee companies of Dongfeng Logistics, which was mainly due to the difference between the book value recorded in long-term investments in investee companies of Dongfeng Logistics and net asset value of such company as at 30 June 2023.

3. The amounts of surplus assets was made with reference to the monetary fund of Dongfeng Logistics as at 30 June 2023.

4. The appraisal value of non-operating liabilities (including dividend payable (i.e. declared but not distributed dividend of Dongfeng Logistics for FY2022 as at 30 June 2023) represented book value of such non-operating liabilities as at 30 June 2023.

(V) Valuation Assumption

1. Premise of appraisal

This asset appraisal is based on the assumption that the property rights of the entrusted assets are complete and legal, and they continue to operate in current status for their existing intended purposes.

2. General assumptions

2.1 It is assumed that all documents and materials provided by the clients and the appraised entity are true, valid and accurate.

2.2 It is assumed that there is no significant change in the national macroeconomic policy and the social and economic environment in the region where the enterprise operates.

2.3 It is assumed that the tax policies, credit interest rates, exchange rate changes, etc. on which the business operation and asset appraisal are based, have not changed significantly enough to affect the appraisal conclusion.

2.4 It is assumed that the influence of natural forces and other force majeure factors, as well as the possible influence of special trading approaches on the appraisal conclusion, are not considered.

2.5 The impact of future auctions, sales and collaterals on asset appraisal prices, or the impact on asset appraisal prices of additional prices paid by special trading approaches when property rights change, or the factors that may affect the value of the assets due to the expenses and taxes for sale, are not considered in this asset valuation report.

2.6 Except for the known and disclosed matters, it is assumed in this asset appraisal that there are no other undeclared off-balance-sheet assets and liabilities, mortgage or guarantee matters, major litigation or post-period events, and the appraised entity has legal rights to the assets included in the scope of appraisal.

2.7 Transaction assumption: it is assumed that all assets to be valued are already in the process of transaction, and the Independent Valuer carries out a valuation based on the transaction conditions of the assets to be valued in a simulated market.

2.8 Open market assumption: it is assumed that both trading parties of the assets traded in the market or the assets to be traded in the market are in the same position and have opportunities and time to obtain sufficient market information so as to make reasonable judgment upon the function, usage and transaction price of assets.

2.9 Assumption on continuing operation of the enterprise: it is assumed that the appraised entity is in full compliance with all relevant laws and regulations, and will continue to operate in the foreseeable future.

3. Specific assumptions

3.1 There are no material changes in social economic environment and policies of tax and tax rate of the appraised entity in the future operating periods.

3.2 The management of the appraised entity will act with due diligence in the future operating period and the appraised entity will continue to operate under an operation and management model that is the same as that of the benchmark date.

3.3 It is assumed that the appraised entity will operate in a stable and sustainable manner in terms of production methods, product structure, investment and development technology in the future.

3.4 There are no material adverse effects caused by other unpredictable and force majeure factors.

3.5 It is assumed that the relevant data of the selected listed companies in the same industry are reliable and trustworthy.

3.6 It is assumed that the accounting policies to be adopted by the appraised entity in the future are basically consistent with the accounting policies adopted in the preparation of this report in material aspects.

3.7 The appraised enterprise has a sufficient pool of talents and its manpower needs are basically met.

3.8 In this asset appraisal, it is assumed that basic information and financial information provided by the clients and the appraised entity are true, accurate and complete.

3.9 The scope of the appraisal was only based on the assessment declaration form provided by the appraised entity, without considering the contingent assets and contingent liabilities that might exist beyond the list provided by the appraised entity.

3.10 The value of each parameter measured in this asset appraisal excludes the effect of inflation.

3.11 In this asset appraisal, we have referred to and adopted the historical financial statements and financial statements as at the Valuation Benchmark Date of the appraised entity as well as the financial reports and transaction data of the comparable companies we found on East Money Information (東方財富資訊). Our estimation has relied to a considerable extent on the above financial statement data and transaction data, and we have assumed that the above financial statement data and transaction data are true and reliable.

3.12 Some of the appraised entity's production and operation premises are leased, and it is assumed that the lease contracts in respect of the appraised entity's production and operation premises will be renewed upon expiry, without taking into account the effect of changes in the operation premises.

3.13 It is assumed that the revenues and expenses incurred in each forecast period will be realised in the corresponding forecast period, and we have not considered the risk that receivables are uncollectible.

3.14 The conclusion of this asset appraisal is based on the assumption that the value of the assets included in the scope of appraisal is reflected on the Valuation Benchmark Date under the condition that the current scale and current use are unchanged.

This asset valuation report and the asset appraisal conclusion are based on the above appraisal premises, basic assumptions and specific assumptions, as well as the principles, basis, conditions, approaches and procedures determined in this asset valuation report. If the above premises and assumptions change, this asset valuation report and the asset appraisal conclusion will generally automatically become invalid.

(VI) Key inputs and assumptions — market approach

1. Preconditions for the application of market approach

The listed company comparison method and transaction cases comparison method share the common feature that they need to use the corresponding value ratio (multiplier) for comparison and finally value the appraised entity on this basis. The preconditions for their application are set out below:

1. There is a fully developed and active capital market;
2. There are a sufficient number of comparable companies identical or similar to the appraised entity, or a sufficient number of transaction cases in the capital market;
3. The market information, financial information and other relevant information on comparable companies or transaction cases can be collected and obtained; and
4. It is convinced that the information and data based on which the valuation is made are representative and reasonable, and are valid as at the Valuation Benchmark Date.

2. Selection of the specific appraisal method

In view of the fact that the impact on the value of equity arising from the differences between the valuation target and transaction cases cannot be fully considered under the transaction cases comparison method due to the limitation of data and information collection, and on the other hand, there are certain number of listed companies similar to the appraised entity in the securities market, which are active in trading, with published trading and financial information and sufficient information, the listed company comparison method is adopted in the market approach appraisal.

3. Appraisal processes

A. Selection of comparable listed companies

(1) Set out below are the selection criteria for comparable listed companies (the "**Selection Criteria**")

① Having listed on stock exchanges of the PRC and had trading history of more than two years

Considering that certain amount of historical data on stock transactions are needed as statistical processing is required for the operation of the listed company comparison method, the comparable companies selected are generally listed on stock exchanges of the PRC for more than two years; on the other hand, comparable companies are required to keep relatively stable business operations and their listed shares having a trading history of more than two years since their listing will effectively ensure the stability of the comparable companies' operation.

The reasons for selecting comparable listed companies with a certain period of listing and trading history instead of the issue price of newly listed companies are set out below:

(a) Since China's stock market is immature and based on the price changes of most A-share listed companies after listing and trading, it is common that share price experiences fluctuations and adjustments for a long period of time after listing before it appears to be stabilised.

(b) Considering that statistical processing is required for the operation of the listed company comparison method, the comparable companies selected are generally listed for a certain period of time.

(c) A certain period of trading history will effectively ensure the stability of the comparable companies' operation.

② Operating in businesses the same as or similar to the appraised entity (i.e. provision of logistics services in the PRC) continually for a period of not less than two years and more than 50% of the revenue was generated from the provision of logistics services in the PRC

This is mainly intended to satisfy the requirement that the comparable companies are engaged in businesses same as or similar to the appraised entity (i.e. provision of logistics services in the PRC) continually for not less than two years, with more than 50% of the revenue generated from the provision of logistics services in the PRC and continue to be engaged in such business, produce products or provide services same as or similar to the appraised entity, or that their products or services are affected by the same economic factors.

③ Long period of time for the comparable companies being engaged in the same or similar businesses

The comparable companies shall be engaged in the same or similar businesses as the appraised entity for a period of not less than two years continually in order to avoid the situation where the comparable companies have just started to engage in such businesses as a result of asset restructuring and other reasons.

④ The comparable companies are not loss-making for the recent two financial years

(2) Selection of comparable listed companies

According to the search result on the Eastmoney Choice (東方財富Choice數據), there are 44 A-share listed companies engaging in the industry in China, among which:

(a) Three companies, which have been listed for a period less than two years, have been excluded;

(b) Nine companies, which recorded continuous losses or negative operating profit, and whose profitability has significant differences from that of the appraised entity, have been excluded;

(c) One company has been issued a delisting warning by the Shenzhen Stock Exchange indicating that such company may have irregularities in its business operation and the such company has been excluded;

(d) The remaining 28 companies also engage in other principal businesses with less than 50% of their revenue generated from the provision of logistics services in the PRC as disclosed in their latest audited financial statements, therefore these 28 companies have been excluded.

According to the Selection Criteria, three listed companies (the "**Comparable Companies**"), namely 北京長久物流股份有限公司 (transliterated as Beijing Changjiu Logistics Co., Ltd.) ("**Changjiu Logistics**"), 海程邦達供應鏈管理股份有限公司 (transliterated as Bondex Supply Chain Management Co., Ltd.) ("**Bondex**") and 江蘇海晨物流股份有限公司 (transliterated as Jiangsu HICHAIN logistics Co., Ltd.) ("**HICHAIN Logistics**") are selected for this asset appraisal as they met the Selection Criteria and that the scope of business operation of the Comparable Companies are similar to those of Dongfeng Logistics.

Set out below are the details of the three Comparable Companies demonstrating how they are comparable to Dongfeng Logistics:

Comparable company I:

Beijing Changjiu Logistics Co., Ltd.* (北京長久物流股份有限公司)

Company profile:

Changjiu Logistics is the first third-party automobile logistics enterprise listed on the main board of the Shanghai Stock Exchange since 10 August 2016, and is a modern service enterprise engaging in the provision of comprehensive logistics solutions for the automobile industry. Changjiu Logistics is committed to continuously improving the quality of its comprehensive logistics services through the enhancement of service system standardisation and informatisation, the expansion of service network completeness and coverage, and the innovation of intelligent logistics solutions.

The consolidated financial statements of Changjiu Logistics for the years ended 31 December 2021, 2022 and the six months ended 30 June 2023, as obtained by asset valuation professionals from Eastmoney Choice are set out below (Monetary unit: RMB0'000):

Balance Sheets

Financial information	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the six months ended 30 June 2023**
Total current assets	283,636.36	264,397.33	261,858.21
Total non-current assets	274,130.78	278,077.34	287,531.80
Total current liabilities	227,831.86	214,427.48	203,757.03
Total non-current liabilities	75,237.92	69,736.81	72,431.30
Total shareholders' equity	254,697.35	258,310.38	273,201.69

Income Statement

Financial information	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the six months ended 30 June 2023**
Total revenue	448,654.74	395,760.57	188,820.38
Operating profit	8,970.22	–1,180.63	3,243.56
Net profit	9,901.33	3,374.40	5,611.01

Comparable company II:

Bondex Supply Chain Management Co., Ltd.* (海程邦達供應鏈管理股份有限公司)

Company profile:

Bondex listed on the main board of the Shanghai Stock Exchange since 26 May 2021. Bondex focuses on the supply chain and provides professional service. Oriented to its clients' demands, Bondex aims to build an excellent international logistics platform to provide end-to-end one-stop intelligent supply chain logistics service to its clients. It's business area covers more than 200 ports, and over 80 holding branches and subsidiaries worldwide. As a professional comprehensive modern logistics enterprise, Bondex mainly provides various import and export trade customers with logistics services, as well as the plan, design and provision of standardised logistics service products and customised supply chain solutions with a focus on cross-border links. Since its establishment, Bondex has been committed to providing customers with comprehensive cross-border logistics services and establishes four core business segments, namely "basic segmented logistics", "one-stop contractual logistics", "lean supply chain logistics" and "supply chain logistics". Bondex offers a complete range of logistics services including transportation services, customs clearance and warehousing services by taking advantage of its intelligent logistics platform and large-scale services, which help reduce its clients' cost and improve logistics efficiency. At the same time, Bondex also provides client-oriented logistics services including door-to-door delivery, customs affairs management, warehousing and distribution, etc. to clients of specific industries (such as electronics, semiconductors, overseas projects, automobiles, cross-border e-commerce, fresh food, fashion consumer goods, etc.).

The consolidated financial statements of Bondex for the years ended 31 December 2021, 2022 and the six months ended 30 June 2023, as obtained by asset valuation professionals from Eastmoney Choice are set out below (Monetary unit: RMB0'000):

Balance sheets

Financial information	For the year ended 31 December 2021	For the year ended 31 December 2022	For the six months ended 30 June 2023
Total current assets	394,881.13	325,832.04	303,605.22
Total non-current assets	35,111.95	71,973.38	70,222.16
Total current liabilities	182,991.61	162,641.94	132,284.38
Total non-current liabilities	5,815.26	55,125.89	66,222.86
Total shareholders' equity	241,186.21	180,037.59	175,320.15

Income Statement

Financial information	For the year ended 31 December 2021	For the year ended 31 December 2022	For the six months ended 30 June 2023
Total operating revenue	1,191,308.34	1,227,866.38	285,276.23
Operating profits	92,116.55	51,781.89	10,379.54
Net profits	70,704.14	39,841.97	7,150.37

Comparable Company III:

Jiangsu HICHAIN logistics Co., Ltd.* (江蘇海晨物流股份有限公司)

Company profile:

HICHAIN Logistics was established in 2011 and transformed into a joint stock company in 2016, and was listed on 24 August 2020 on the growth enterprise market of the Shenzhen Stock Exchange. HICHAIN Logistics is the operator and manager of supply chain solutions for the consumer electronics industry, mainly providing comprehensive logistics solutions integrating transportation, warehousing, customs and other value-added services for global technology manufacturing enterprises.

The consolidated financial statements of HICHAIN Logistics for the years ended 31 December 2021, 2022 and the six months ended 30 June 2023, as obtained by asset valuation professionals from Oriental Fortune Choice data, are set out below (Monetary unit: RMB0'000):

Balance Sheet

Financial information	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the six months ended 30 June 2023**
Total current assets	190,462.46	242,994.97	254,678.56
Total non-current assets	66,772.09	128,385.70	122,854.43
Total current liabilities	39,362.36	69,173.35	70,532.99
Total non-current liabilities	4,018.99	27,229.36	20,891.26
Total owners' equity	213,853.21	274,977.96	286,108.74

Income Statement

Financial information	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the six months ended 30 June 2023**
Total operating revenue	146,761.59	180,035.82	89,443.89
Operating profits	37,982.78	44,788.40	21,981.13
Net profits	32,245.42	36,939.59	18,300.67

Set out below is a comparison of the major financial information of Dongfeng Logistics and the Comparable Companies for the two financial years ended 31 December 2022 and the six months 30 June 2023 (the "**Review Period**") (Monetary unit: RMB0'000):

Company	**Financial information**	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the six months ended 30 June 2023**	**Average**^(Note 1)^
Dongfeng Logistics	Total assets	512,305.55	509,386.06	491,978.52	504,556.71
	Net assets	326,337.22	326,251.72	300,756.33	317,781.76
	Net profit	30,941.62	29,821.42	3,249.80	22,420.88
Changjiu Logistics	Total assets	557,767.14	542,474.67	549,390.02	549,877.28
	Net assets	254,697.35	258,310.38	273,201.69	262,069.81
	Net profit	9,901.33	3,374.40	5,611.01	8,165.92
Bondex	Total assets	429,993.08	397,805.42	373,827.38	400,541.96
	Net assets	241,186.21	180,037.59	175,320.15	198,847.98
	Net profit	70,704.14	39,841.97	7,150.37	41,615.62
HICHAIN Logistics	Total assets	257,234.55	371,380.67	377,533.00	335,382.74
	Net assets	213,853.21	274,977.96	286,108.74	258,313.30
	Net profit	32,245.42	36,939.59	18,300.67	35,262.12

Note:

1. The average value of each of total assets and net assets of the respective companies was calculated based on the aggregate amount as at 31 December 2021, 31 December 2022 and as at 30 June 2023. The average value of net profit of the respective companies was calculated based on the aggregate amount for the two years ended 31 December 2022 and the annualized amount for the six months ended 30 June 2023.

As noted from the table above, the amount of the average total assets of the Comparable Companies during the Review Period ranged from approximately RMB3,353,827,400 to approximately RMB5,498,772,800 with an average of approximately RMB4,286,006,600, which is comparable to the average total assets of Dongfeng Logistics of approximately RMB5,045,567,100 during the Review Period.

It is also noted that the amount of the average net assets of the Comparable Companies during the Review Period ranged from approximately RMB1,988,479,800 to approximately RMB2,620,698,100 with an average of approximately RMB2,397,437,000 which is comparable to the average net assets of Dongfeng Logistics of approximately RMB3,177,817,600 during the Review Period.

Further, the average net profit of the Comparable Companies during the Review Period ranged from approximately RMB81,659,200 to approximately RMB416,156,200 with an average of approximately RMB283,478,800 which is comparable to the average net profit of Dongfeng Logistics of approximately RMB224,208,800 during the Review Period.

Therefore, having considered that (i) the Comparable Companies met the Selection Criteria; and (ii) the average of the total assets, net assets and net profit of the Comparable Companies during the Review Period are comparable to those of Dongfeng Logistics, it is concluded that the Comparable Companies are suitable to be applied in the market approach in this asset appraisal.

B. Determination of Value Ratio

(1) Definition of value ratio

The value ratio refers to the ratio of the enterprise's overall or equity value divided by one of the enterprise's own parameters closely related to value that characterises the enterprise's operations, which usually includes earning value ratios, asset class value ratios, income value ratios and other special class value ratios.

Value ratios commonly used are as follows:

① Earning value ratio

The earning value ratio is a value ratio established between asset values and earnings-based metrics, which can be further categorised into the value ratio of full investment and the value ratio of equity investment.

1) EV/EBIT = (Equity value + Value of creditor's right)/Earnings before interest and tax

2) EV/EBITDA = (Equity value + Value of creditor's right)/Earnings before interest, tax, depreciation and amortization

3) EV/NOIAT = (Equity value + Value of creditor's right)/Net operating income after tax

Note: NOIAT = EBIT × (1–T) + depreciation/amortization

4) P/E = Equity value/Profit after tax

② Income value ratio

The income value ratio is a value ratio established between the asset value and sales revenue, including the value ratio of full investment and the value ratio of equity investment.

1) Sales income value ratio = (Equity value + Value of creditor's right)/Sales income

2) P/S = Equity value/Sales income

③ Asset value ratio

The asset value ratio is value ratio established between the asset value and asset indicators (including the value ratio of full investment and the value ratio of equity investment), which generally includes:

1) Total assets value ratio = (Enterprise equity value + Value of creditor's right)/Total assets value

2) Fixed assets value ratio = (Enterprise equity value + Value of creditor's right)/Fixed assets value

3) Net assets value ratio = (Enterprise equity value + Value of creditor's right)/Operating assets value

④ Other special class value ratios

Other special class value ratios are value ratios established between the asset value and some specific non-financial indicators, generally representative of including:

1) Warehouse storage capacity value ratio = (Enterprise equity value + Value of creditor's right)/Warehouse storage capacity

2) Mine mineable reserves value ratio = (Enterprise equity value + Value of creditor's right)/Mineable reserves

3) Number of professionals value ratio = (Enterprise equity value + Value of creditor's right)/Number of professionals

4) R&D expenses value ratio = (Enterprise equity value + Value of creditor's right)/R&D expenses

(2) Determination of value ratio

① Earnings value ratio

The analysis reveals that there may be a significant difference in the capital structure of the comparable company and the appraised entity, i.e., the comparable company and the appraised entity may pay different amounts of interest. This difference would make our "comparison" meaningless. For this reason, it is important to eliminate the effects of such differences. The best way to remove the impact of such differences is to use full investment calibre indicators. The full investment indicators mainly include earnings before interest and taxes (EBIT), earnings before interest, tax, depreciation and amortization (EBITDA) and net operating income after tax (NOIAT), and the abovementioned income indicators have eliminated the impact on earnings due to differences in capital structure. Based on the characteristics of the appraised entity and the industry practice, we have selected NOIAT as the ratio multiplier for the income category in this appraisal. Net operating income after tax not only reduces comparability differences due to capital structure and depreciation/amortisation policies, but also minimises the impact on value due to different tax rates.

In computing both EBITDA and NOIAT, depreciation and amortization are added back from net income so that the value of the appraised entity would not be affected differences in depreciation and amortization policies of the Comparable Companies.

In computing both EBITDA and NOIAT, interest expenses are also added back from net income so that the value of the appraised entity would not be affected by the differences in the financial gearing and capital structure of the Comparable Companies.

However, the major difference in EBITDA and NOIAT is that the tax expenses are added back from net income in the EBITDA computation while NOIAT is an after-tax net income. The application of NOIAT in the value ratio has considered the tax impact to the Comparable Companies and that of the appraised entity as tax payment is a necessary cash outflow of the Comparable Companies and Dongfeng Logistics and NOIAT can also eliminate the tax benefits from debt financing which could be different for entities of different tax structure.

Therefore, NOIAT can better reflect the operational efficiency and profitability of an entity with its invested capital and cash inflow after payment of tax without the impact of the different structure of debt financing.

② Revenue value ratio

The revenue value ratio mainly reflects the relationship between the scale of operation of an enterprise and the market value of its entire investment, but the scale of operation of an enterprise is often not fully consistent with its operating profitability, which is mainly due to the fact that the level of gross profit of the enterprise's operation may not be consistent. The scale of operation and its accounting methods vary among enterprises, and the revenue value ratio is not suitable for this valuation.

③ Asset value ratio

As the assessed entity's surplus (non-operating) assets and liabilities accounted for a relatively large proportion and differed significantly from those of comparable listed companies, resulting in a comparably poor adjusted asset value ratio. Therefore, the asset value ratio is not suitable for this appraisal.

④ Special class value ratio

The appraised entity does not belong to a special industry, therefore the special class value ratio is not suitable for this appraisal.

In light of the above, this appraisal adopts the earnings value ratio (EV/NOIAT) for the assessment of the value of the entire equity interest in the appraised entity. The Independent Valuer took into account nil control premium, the non-operating assets, non-operating liabilities (including dividend payable (i.e. declared but not distributed dividend of Dongfeng Logistics for the FY2022 as at 30 June 2023)) and surplus assets of Dongfeng Logistic as at the Valuation Benchmark Date, and further excluded the value of non-controlling interests, based on the proportion of non-controlling interests to total equity of Dongfeng Logistics.

Set out below is the breakdown of the value of Dongfeng Logistics based on market approach (after including the non-operating assets, non-operating liabilities, surplus assets and taking into account the impact of the value of non-controlling interests, based on the proportion of non-controlling interests to total equity of Dongfeng Logistics):

	RMB
Value of Dongfeng Logistics calculated based on the earnings ratio (EV/NOIAT) (before including the value of the net non-operating assets and surplus assets) *(Note 1)*	4,794,030,000
Add: Non-operating assets *(Note 2)*	506,187,500
Add: Surplus assets *(Note 3)*	1,045,058,800
Less: Non-operating liabilities *(Note 4)*	366,330,800
Sub-total	5,978,945,400
Less: value of non-controlling interests, based on the proportion of non-controlling interests to total equity of Dongfeng Logistics *(Note 5)*	233,776,800
Appraised value of Dongfeng Logistics based on market approach (rounded to nearest RMB ten thousand)	5,745,170,000

Notes:

1. Value of operating assets of Dongfeng Logistics (before including the value of net non operating assets and surplus assets) was calculated by multiplying the weighted average earning ratio (EV/NOIAT) of the Comparable Companies of 15.94 times (the "**Comparable Earnings Ratio**") by the average NOIAT of Dongfeng Logistics for the 30-month period from 31 December 2021 to 30 June 2023 of approximately RMB300,754,500. The Comparable Earnings Ratio was derived from the weighted average of the earning ratio of each of the three Comparable Companies of 23.87 times, 12.95 times and 3.05 times respectively.

2. The book value of non-operating assets was approximately RMB1,084 million as at 30 June 2023 and the appraisal value of non-operating assets was approximately RMB506 million as at 30 June 2023. According to the Valuation, the difference between the book value and appraisal value of non-operating assets was mainly due to the change in long-term investments in investee companies of Dongfeng Logistics.

Dongfeng Logistics had eight investee companies (for the avoidance of doubt, such investee companies were not subsidiaries of Dongfeng Logistics) as at 30 June 2023. The valuation of the eight investee companies were concluded by making reference to their net asset value and percentage of equity interests owned by Dongfeng Logistics as at 30 June 2023. Appraisal value of one of the eight investee companies was substantially lower than the book value recorded in long-term investments in investee companies of Dongfeng Logistics, which was mainly due to the difference between the book value recorded in long-term investments in investee companies of Dongfeng Logistics and net asset value of such company as at 30 June 2023.

3. The amounts of surplus assets was made with reference to the monetary fund of Dongfeng Logistics as at 30 June 2023.

4. The appraisal value of non-operating liabilities (including dividend payable (i.e. declared but not distributed dividend of Dongfeng Logistics for FY2022 as at 30 June 2023) represented book value of such non-operating liabilities as at 30 June 2023.

5. The Independent Valuer excluded the value of non-controlling interests from the value of Dongfeng Logistics calculated based on the earnings ratio (EV/NOIAT), based on the proportion of non-controlling interests to total equity of Dongfeng Logistics.

6. As the Disposal would not result in change in controlling shareholder of Dongfeng Logistics, therefore no control premium would be taken into consideration in valuating Dongfeng Logistics.

(VII) Conclusion of Valuation

The Independent Valuer conducted asset appraisal on the value of the 5.77% equity interests in Dongfeng Logistics by using the statutory procedures and fair methods of asset appraisal and adopted the income approach and the market approach.

1. Appraisal results under the income approach

By conducting appraisal using the income approach and subject to satisfying all appraisal assumptions and premises in this report, the appraised value of the entire equity interests in Dongfeng Logistics as at the Valuation Benchmark Date amounted to RMB5,755.08 million.

2. Appraisal results under the market approach

By making appraisal using the market approach and subject to satisfying all appraisal assumptions and premises in this report, the appraised value of the entire equity interests in Dongfeng Logistics as at the Valuation Benchmark Date amounted to RMB5,745.17 million.

3. Determination of the conclusion of valuation

The appraised value of the entire equity interests in Dongfeng Logistics amounted to RMB5,755.08 million and RMB5,745.17 million under the income approach and the market approach, respectively, with a difference of RMB9.91 million and a difference rate of 0.17%.

The main reason for the difference between the income approach and the market approach is that the two valuation approaches differ in method considerations and the selection of evaluation parameters, which leads to the difference in the appraisal results. The income approach predicts the value of an enterprise based on the profitability of the enterprise itself, which is the intrinsic value of the enterprise. The income approach uses the expected return of an asset as the value standard, reflecting the size of the asset's operating ability (profitability), which will usually be affected by various conditions such as macroeconomics, government control, and the effective use of assets. The market approach of valuation adopts the listed company comparison method, by comparing the appraised entity with the listed companies in the same industry, and making correction as appropriate to the known prices and operating data of these listed companies, so as to estimate the reasonable value of the appraised entity. The market approach reflects the value of the enterprise in the open market under normal and arm's length trading conditions.

Although the appraisal results under both the income approach and the market approach can objectively reflect the market value of the appraised entity as at the valuation benchmark date, its future revenue will be affected to varying degrees due to the impact of the Russia-Ukraine war, Sino-US trade frictions, and global inflation, etc. From the perspective of the reliability of the appraisal parameters, the results under the market approach can better reflect the overall value of Dongfeng Logistics.

In conclusion, the appraisal results under the market approach are adopted as the final results of this asset appraisal and the appraised value of the entire equity interests in Dongfeng Logistics as at on the Valuation Benchmark Date amounted to RMB5,745.17 million.

Based on the above appraised value of the entire equity interests in Dongfeng Logistics without considering the premium and discount of the controlling and minority equity interests, the appraised value of the 5.77% equity interests, to be acquired by the Purchaser, in Dongfeng Logistics held by the Seller (a subsidiary of the Company) amounted to RMB331.4963 million as at the Valuation Benchmark Date.

(VIII) Other Consideration

1. Quotation of report

In this asset appraisal, except for the use of financial data in the audit report (PwC ZT Te Shen Zi (2023) No. 3004) audited and issued by PricewaterhouseCoopers Zhong Tian LLP as the carrying amount before the appraisal, no work results of other institutions and experts were used in the appraisal process.

2. Incomplete or defective ownership information

There was no incomplete or defective ownership information in this asset appraisal.

3. Restrictions on the appraisal process

There were no restrictions on the appraisal process in this asset appraisal.

4. Incomplete appraisal information

There was no incomplete appraisal information in this asset appraisal.

5. Pending legal, economic and other matters as at the appraisal benchmark date

In this asset appraisal, there were no pending matters, legal disputes or other uncertainties as at the Valuation Benchmark Date.

6. Other explanatory matters

6.1 The Independent Valuer and the signing asset valuer shall comply with relevant laws and regulations and asset appraisal standards, and abide by the principles of independence, objectivity and impartiality in conducting this asset appraisal; According to the information collected and the appropriate procedures performed by the Independent Valuer and the signing asset valuer in the course of practice, the content of the asset valuation report is objective, and the Independent Valuer and the signing asset valuer shall bear the corresponding legal responsibility for the reasonableness of the appraisal conclusion.

6.2 The list of assets and liabilities of the appraisal object involved, explanations on relevant matters, profit forecast data, and important information related to the appraisal shall be reported and confirmed by the appraised entity with its signature and seal.

6.3 The descriptions on the clients, the appraised entity and the relevant parties in this asset valuation report are extracted from the relevant introduction materials provided by the clients and the relevant parties to the Independent Valuer, and the readers of the report should regard such descriptions as general text descriptions, rather than the recognition or publicity of the Independent Valuer and the signing asset valuer on the relevant conditions of the clients and the relevant parties, and the Independent Valuer and the signing asset valuer shall not be responsible for all the liabilities arising from the inconsistencies in the relevant introductions with the actual situations.

6.4 Subject to the objective conditions and the professional ability of the Independent Valuer and the asset valuer, the Independent Valuer has not conducted an independent review on the evidentiary materials provided by the clients and the appraised entity on the economic behaviour approvals, legal documents, historical evolution, qualification certificates, business licenses, ownership certificates, accounting vouchers, financial statements, account books and records, control relationships, historical capital increase subscriptions, consolidated profit forecasts, audit reports and other evidence or the responsibilities involved, and will not be responsible for the authenticity of the above materials.

6.5 Subject to the objective conditions, the asset valuer exercises professional judgment and conducts general investigation on the ownership of the assets to be assessed and the supporting materials related to the asset appraisal, and no substantive inspection and verification is carried out, but the professional judgment and investigation conclusion of the asset valuer cannot reduce or replace the responsibility of the clients and the relevant parties to provide the authentic ownership and supporting materials related to the asset appraisal.

6.6 The Independent Valuer and the signing asset valuer have no existing or expected interests in the appraised entity, no personal interest relationship with the clients and the relevant parties, and there is no prejudice against the clients and the relevant parties.

6.7 The appraisal conclusion is valid only as of the Valuation Benchmark Date stated in this asset valuation report. The users of the asset valuation report shall reasonably determine the term of use of the appraisal report according to the asset status and market changes after such date. Generally, the asset valuation report may be used only if there is no more than one year between the valuation benchmark date and the date of the realisation of economic behaviour.

6.8 The analysis, judgment and conclusion in the asset valuation report issued by the signing asset valuer and the Independent Valuer are subject to the appraisal assumptions and limitation conditions in the asset valuation report, and the users of the asset valuation report shall be aware of and fully consider the assumptions, limitation conditions and their impact on the appraisal conclusion contained in the report.

6.9 The Independent Valuer and the signing asset valuer shall not be liable for the defects and subsequent matters that may affect the asset appraisal value of the appraised entity, which, without special explanation from the clients and the relevant parties upon engagement, are generally unknown to the asset appraisal professionals based on their professional experience.

6.10 Based on the research of historical market conditions and its own situation, the appraised entity makes future plans for the appraisal object and provides profit forecast data and related information; the appraised entity shall be responsible for the legality and compliance of the appraisal object's future operations and the authenticity, accuracy and completeness of the relevant information provided.

6.11 The work of the asset valuer and the Independent Valuer is to analyze the forecast logic and calculation process in relevant material aspects involved in the future enterprise development plan, profit forecast data and related information submitted by the appraised entity, and make calculation by using the common asset valuation model. In the appraisal process, the asset valuer mainly performs procedures such as inquiry, market research, inspection analysis and calculation.

6.12 The views expressed in this asset valuation report are based solely on financial analysis, without taking into account other factors such as business, legal, tax, regulatory environment, future enterprise development policies and planning adjustments.

6.13 The conclusion of this asset appraisal is based on the accurate judgment of the appraised entity and the management on the future development trend of the enterprise and the implementation of the relevant plan. If the actual future operating conditions of the enterprise deviate from the business plan, and the property owner and the then management do not take corresponding effective measures to make up for the deviation, the appraisal conclusion will change significantly. The attention of users of the report is particularly drawn to this issue.

6.14 The future profit forecast data and analysis provided by the appraised entity is the basis of the income approach in this asset valuation report. The asset valuer conducts the necessary investigation, analysis and judgment on the profit forecast data provided by the appraised entity, and upon further revision and improvement by the appraised entity to the profit forecast plan on this basis, the Independent Valuer adopts the profit forecast data confirmed by the appraised entity. The calculation and analysis by the Independent Valuer on the profit forecast data provided by the appraised entity in the appraisal report cannot be regarded as a guarantee for the degree and feasibility of the future profitability of the appraised entity.

6.15 Asset appraisal professionals are aware of the possible impact of the liquidity and control factors of the assets on the value of the appraisal object. In this appraisal the impact of liquidity on the appraisal object has been included under the market approach, but the impact of the premium of controlling equity interests or discount of minority equity interests and liquidity discount on the appraisal value is excluded under the income approach due to objective conditions.

6.16 Subsequent matters

(1) The appraisal conclusion of this report cannot be directly used in the event of significant subsequent events after the date of the report.

(2) After the Valuation Benchmark Date, if there are changes in the quantity and price standard of the assets during the validity period, the following principles shall be followed:

① If there is a change in the quantity of assets, the number and amount of assets should be adjusted according to the original appraisal approach.

② If there is a change in the asset price standard that has a significant impact on the asset appraisal price, the clients shall promptly hire a qualified asset appraisal agency to re-determine the assessed value.

③ If there are changes in the quantity and price standards of assets after the Valuation Benchmark Date, the clients should fully consider the actual pricing of the assets and make corresponding adjustments.

As at the date of the asset valuation report, except for the above-mentioned matters, the asset appraisal professionals have not found, and the clients and the relevant parties have not provided any information about specific matters that may affect the appraisal conclusion and need to be clearly revealed in the asset appraisal process of this project. The above-mentioned matters shall be brought to the attention of the relevant report users when using the report.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accepts full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 contained herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors, and chief executive of the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will 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 each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors, the table below lists out the person (other than the 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 who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

Name of Shareholder	Nature of interest	Number of Shares interested (long position)	Approximate percentage of shareholding *(Note 1)*
Xiamen ITG Holding Group Co., Ltd.* *(Note 2)*	Beneficial owner	842,977,684	29.40%
Cheung Mui	Beneficial owner	286,894,500	10.00%
Xingtai Capital Management Limited	Beneficial owner	179,478,000	6.26%

Notes:

1. As at the Latest Practicable Date, the total number of Shares in issue was 2,867,102,420; and

2. As at the Latest Practicable Date, Xiamen ITG Holding Group Co., Ltd. indirectly interested in 0.78% of the Shares of the Company through Xiamen Xindeco Company Limited.

Save as disclosed above and to the best knowledge of the Directors, as at the Latest Practicable Date, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group.

3. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or proposed directors had any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were treated as a controlling shareholder).

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

7. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have provided opinion or advice, which is contained in this circular:

Name	Qualification
Lianhe Zhonghe Land and Real Estate Assets Appraisal Co., Limited* (聯合中和土地房地產資產評估有限公司)	Independent valuer
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The above experts have given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above experts were not beneficially interested in the share capital of any member of the Group nor did they have 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 nor did they have any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to, or was proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

8. LITIGATION

As at the Latest Practicable Date, no litigation, arbitration or claims of material importance known to the Directors was pending or threatened by or against the Company or any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

(i) the placing agreement dated 7 June 2023 entered into between the Company and Huatai Financial Holdings (Hong Kong) Limited relating to the placing of 122,560,000 Shares issued by the Company; and

(ii) the Share Transfer Agreement.

10. MISCELLANEOUS

The company secretary of the Company is Ms. Fung Wai Sum. She is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The headquarter of the Company is 4/F, Wuhan Baoze, No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan, the PRC. The principal place of business in Hong Kong is Flat C, 32/F, Lippo Centre Tower 1, 89 Queensway, Hong Kong.

The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at 17M Floor, Hopewell Centre, 183 Queens Road East, Wan Chai, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company's website (https://www.zhengtongauto.com) for a period of 14 days from the date of this circular:

(a) the letter from the Independent Board Committee dated 22 January 2024;

(b) the letter from the Independent Financial Adviser dated 22 January 2024;

(c) the Share Transfer Agreement;

(d) the consent letter issued by the Independent Valuer and Gram Capital referred to in the paragraph headed "7. Experts' Qualification and Consent" in this appendix;

(e) the Valuation Report prepared by the Independent Valuer, the summary of which is set out in Appendix II of this circular; and

(f) this circular.

正 通

China ZhengTong Auto Services Holdings Limited
中 國 正 通 汽 車 服 務 控 股 有 限 公 司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1728)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of China ZhengTong Auto Services Holdings Limited 中國正通汽車服務控股有限公司 (the "**Company**") will be held at Large Conference Room, 4th Floor, Wuhan Baoze, No. Te 6 Huangpu Technological Park, Tazihu Street, Jiangan District, Wuhan, Hubei Province, PRC on Wednesday, 7 February 2024 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the circular dated 22 January 2024 issued by the Company (the "**Circular**").

ORDINARY RESOLUTION

"**THAT**

(a) the agreement (the "**Share Transfer Agreement**", a copy of which has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) dated 18 December 2023 entered into between the Seller and the Purchaser in respect of the sale and purchase of 5.77% equity interest in Dongfeng Logistics (the "**Disposal**") and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one Director or the authorized person(s) of the Company be and is/are hereby authorized on behalf of the Company to sign, seal and execute all such other documents and agreements and to do all such acts and things as he may in his discretion consider necessary or desirable or expedient to implement and/or to give effect to the Share Transfer Agreement and the Disposal and the transactions contemplated thereunder and all other matters and incidental thereto and to agree and execute all such variation(s), amendment(s), supplemental(s), waiver(s), termination(s) or cessation(s) of matters relating thereto as are, in their opinion, in the interest of the Company."

For and on behalf of the board of
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
WANG Mingcheng
Chairman

22 January 2024

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of business in Hong Kong:
Flat C, 32/F
Lippo Centre Tower 1
89 Queensway
Hong Kong

Notes:

1. English translations of company names in Chinese which are marked with "*" are for identification purposes only.

2. The resolution at the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

3. A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more (if he holds more than one shares) proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

4. In the case of joint holders of shares, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if it/he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such shares shall alone be entitled to vote in respect thereof.

5. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting (i.e. not later than before 10:30 a.m. on Monday, 5 February 2024) or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the Meeting and, in such event, the said form of proxy shall be deemed to be revoked.

6. The transfer books and register of shareholders of the Company will be closed from Monday, 5 February 2024 to Wednesday, 7 February 2024, both days inclusive, to determine the entitlement of shareholders to attend and vote at the meeting, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 2 February 2024.

7. As at the date of this notice, the Board comprises Mr. WANG Mingcheng (Chairman), Mr. LI Zhihuang and Mr. HUANG Junfeng as executive directors, and Dr. WONG Tin Yau Kelvin, Dr. CAO Tong, and Ms. WONG Tan Tan as independent non-executive Directors.