
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Guangdong Yueyun Transportation Company Limited***, you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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廣東粵運交通股份有限公司

Guangdong Yueyun Transportation Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 03399)

**MAJOR AND CONNECTED TRANSACTION
AND
NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING**

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

VINCO 榮高

Vinco Financial Limited

Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from Vinco Financial containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 32 of this circular.

A notice of the EGM to be held at 24/F, Yueyun Building, No. 3 Zhongshan Second Road, Guangzhou, Guangzhou Province on 20 October 2022 at 3:00 p.m. is set out on pages 131 to 132 of this circular.

A form of proxy for use at the EGM (which has also been sent to the Shareholders on 28 September 2022) is also published on the websites of the Stock Exchange and the Company. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy for the EGM in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

* *For identification purposes only*

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Benchmark Date”	31 December 2021
“Board”	the board of directors of the Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Guangdong Yueyun Transportation Company Limited* (廣東粵運交通股份有限公司), a joint stock limited company incorporated under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 03399)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which were subscribed for or credited as fully paid in RMB by PRC citizens and/or PRC incorporated entities
“EGM”	the 2022 second extraordinary general meeting of the Company to be convened at 24/F, Yueyun Building, No. 3 Zhongshan Second Road, Guangzhou, Guangzhou Province on 20 October 2022 at 3:00 p.m. to consider and, if thought fit, to approve, among other matters, the Equity Transfer Agreement and the Equity Transfer contemplated thereunder
“Equity Transfer”	proposed transfer of 100% equity interest in Transportation Engineering by the Company to Guangdong Litong pursuant to the Equity Transfer Agreement entered into between the Company and Guangdong Litong on 10 August 2022

DEFINITIONS

“GCGC”	Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), a state-owned enterprise established in the PRC and a controlling shareholder of the Company
“Group”	the Company and its subsidiaries from time to time
“Guangdong Litong”	Guangdong Litong Development and Investment Company Limited* (廣東利通發展投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of GCGC
“H Share(s)”	the overseas listed foreign share(s) in the capital of the Company with a RMB-denominated par value of RMB1.00 each which are subscribed for and traded in Hong Kong dollars, and are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Advisor” or “VincO Financial”	VincO Financial Limited, a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), which was appointed by the Company as the Independent Financial Advisor of the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Equity Transfer Agreement and the major and connected transaction in relation to the Equity Transfer contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole
“Independent Shareholder(s)”	Shareholders of the Company in relation to the resolution approving the Equity Transfer Agreement and the Equity Transfer contemplated thereunder, excluding GCGC and its associates
“Latest Practicable Date”	22 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Company with a RMB-denominated par value of RMB1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transportation Engineering”	Guangdong Province Transportation Engineering Company Limited (廣東省交通工程有限公司), a company established in the PRC with limited liability, which will become a subsidiary of Guangdong Litong after the completion of the transaction
“Valuer”	Guangdong Caixing Asset Evaluation and Land & Real Estate Appraisal Co., Ltd. (廣東財興資產評估土地房地產估價有限公司), an independent valuer appointed by the Company
“%”	per cent.

LETTER FROM THE BOARD



廣東粵運交通股份有限公司

Guangdong Yueyun Transportation Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 03399)

Executive Directors:

Mr. Guo Junfa
Mr. Zhu Fang
Mr. Huang Wenban
Mr. Su Huacai
Mr. Hu Xianhua

Registered office:

8th Floor
No. 1731-1735 Airport Road
Guangzhou
The PRC

Non-executive Directors:

Mr. Chen Min
Mr. Chen Chuxuan

Place of business in Hong Kong:

Rooms 3108-3112, 31/F
Hong Kong Plaza
188 Connaught Road West
Hong Kong

Independent non-executive Directors:

Mr. Su Wujun
Ms. Huang Yuan
Mr. Shen Jialong
Mr. Zhang Xiangfa

28 September 2022

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
AND
NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 10 August 2022 in relation to the major and connected transaction regarding the Equity Transfer Agreement and the Equity Transfer contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) the major and connected transaction regarding the Equity Transfer Agreement and the Equity Transfer contemplated thereunder; (ii) a letter from Vinco Financial; (iii) a letter from the Independent Board Committee; and (iv) the notice of EGM.

LETTER FROM THE BOARD

II. MAJOR AND CONNECTED TRANSACTION

The Board is pleased to announce that on 10 August 2022, the Company and Guangdong Litong entered into the Equity Transfer Agreement in relation to the Equity Transfer, pursuant to which the Company has conditionally agreed to sell, and Guangdong Litong has conditionally agreed to acquire, 100% equity interest in Transportation Engineering, a wholly-owned subsidiary of the Company, at a total consideration of RMB216,637,157.08.

Equity Transfer Agreement

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

Date

10 August 2022

Parties

Seller: the Company

Buyer: Guangdong Litong

Subject of Transfer

100% equity interest in Transportation Engineering, a wholly-owned subsidiary of the Company

Consideration and Payment Terms

The total consideration of Equity Transfer is RMB216,637,157.08, which was determined after arm's length negotiations between the Company and Guangdong Litong with reference to the valuation of 100% equity interest in Transportation Engineering as at the Benchmark Date determined by an independent third party Valuer, using the asset-based approach as set out in the Asset Valuation Report (Cai Xing Zi Ping Zi [2022] No. 158). Please refer to Appendix III and IV to the Circular respectively for main text of the Asset Valuation Report and the major assumptions/basis of the valuation methods adopted.

As at the Benchmark Date, the book value of all assets of Transportation Engineering was RMB39,858,566.36, with an appraised value of RMB347,519,913.64, representing an appreciation of RMB307,661,347.28 and an appreciation value of 771.88%. Such appreciation in asset value was mainly attributable to the appreciation of a parcel of land owned by Transportation Engineering due to a change in land use. The land was originally of industrial use with a site area of 23,434.00 m² and a value of approximately RMB1,600 per square meter based the unit price of the industrial land in this area on the Benchmark Date. The land was subsequently included in the scope of the "Three-old Redevelopment" and converted from

LETTER FROM THE BOARD

industrial land to commercial land, road and green land. After the conversion, the net site area of the land was 14,434.00 m², with a plot ratio of 4.5, providing a capacity building area of 64,964.17 m² and a value of over RMB50,000 per square meter on the Benchmark Date. The valuation of the land for the purpose of the disposal was carried out according to the regulated land use after land adjustment, thus resulting in the appreciation.

The book value of liabilities was RMB50,764,287.16, with appraised value of RMB130,882,756.56; the book value of net assets was RMB-10,905,720.80, with an appraised value of RMB216,637,157.08, representing an appreciation of RMB227,542,877.88. The liability items were appraised based on cost approach. In particular, the Valuer reviewed the balance sheets, general ledgers, itemized breakdowns, and detailed appraisal statements provided by Transportation Engineering to examine whether the amounts, content, quantities and dates were consistent with its account books. For large-sum payments, only verified book values will be used as the appraised values. The appreciation of the non-current liabilities was mainly attributable to an increase in deferred income tax liabilities. The carrying amount of deferred income tax liabilities was RMB0. Given that, however, there was an amount of appreciation in investment properties of RMB320,473,877.59, and the income tax rate is 25% for the income tax payable on the value-added portion of the investment properties measured using the fair value model, there was an increase of RMB80,118,469.40 in the deferred income tax liabilities (i.e. $320,473,877.59 \times 25\% = 80,118,469.40$).

Guangdong Litong shall pay the total consideration for the Equity Transfer in one lump sum to the Company within 20 working days from the effective date of the Equity Transfer Agreement.

As at the Benchmark Date, the total principal and interest of the loan owed to the Company by Transportation Engineering amounted to RMB46,866,700, of which the principal of interest-free loan amounted to RMB40,800,000, the principal of interest-bearing loan amounted to RMB6,000,000 (at an interest rate of 4.35% per annum), and the interest amounted to RMB66,700. Guangdong Litong agreed to provide shareholder's loan to Transportation Engineering for the repayment of the principal and interest of the loan owed to the Company by Transportation Engineering on the date of completion of the industrial and commercial registration of the Equity Transfer. The specific repayment amount shall be subject to the principal and interest of the loan as at the date of change of industrial and commercial registration as confirmed by Transportation Engineering and the Company.

Debt Interests and Liabilities and Profit or Loss

Before and after the transfer of 100% equity interest in Transportation Engineering, the debt interests and liabilities of Transportation Engineering shall continue to be enjoyed and borne by Transportation Engineering, respectively.

Commencing from 1 January 2022 (i.e. the day immediately after the Benchmark Date), all profits and losses incurred by Transportation Engineering shall be enjoyed and borne by Guangdong Litong.

LETTER FROM THE BOARD

The debt of the Transportation Engineering incurred prior to the Benchmark Date (including the Benchmark Date) and not disclosed in the net asset assessment audit report and assets appraisal report shall be borne by the Company, and therefore if there are any losses arising therefrom to Guangdong Litong or Transportation Engineering after the completion of the Equity Transfer, Guangdong Litong or Transportation Engineering shall have the right to recover from the Company.

Conditions Precedent

The validity of the Equity Transfer Agreement is subject to the satisfaction of all of the following conditions:

- the Equity Transfer Agreement having been duly entered into by the parties thereto;
- Guangdong Litong having obtained appropriate internal approval for the Equity Transfer;
- the Company having obtained the approvals of the Board and the Independent Shareholders at the extraordinary general meeting in respect of the Equity Transfer; and
- the asset appraisal report having been filed with GCGC.

Completion

Completion of the Equity Transfer shall take place within 20 working days from the effective date of the Equity Transfer Agreement (i.e. the date on which all the conditions precedent to the Equity Transfer Agreement are satisfied). The parties agreed to proceed with the registration of the change of Equity Transfer with the relevant government authorities in accordance with the relevant national, provincial and municipal regulations and the Equity Transfer Agreement.

The parties agreed that the Benchmark Date of the Equity Transfer shall be 31 December 2021. The completion date of the Equity Transfer shall be the date of completion of the change of industrial and commercial registration of the Equity Transfer.

Guangdong Litong agreed to assume the responsibility as a contributor to the capital of Transportation Engineering in accordance with the applicable laws upon the transfer of equity interest in Transportation Engineering.

LETTER FROM THE BOARD

Use of Proceeds from the Equity Transfer and Financial and Financial Effects of the Equity Transfer

As of 30 June 2022, the Company has cash at bank and on hand balance of RMB596.89 million, short-term borrowings to be repaid and non-current liabilities due within one year of RMB479.45 million (including: short-term borrowings of RMB40.0 million, bonds payable due within one year of RMB391.16 million and other non-current liabilities due within one year of RMB48.29 million). According to the current plan of the Company, it is intended that 100% of the net proceeds from the equity transfer of the Company will be used to repay part of the debts of the Company to relieve the funding pressure.

The Group expects to accrue a gain before tax of approximately RMB226,770,635.54 in relation to the disposal, which is calculated based on the consideration for the disposal less the relevant portion of the book value of net assets of Transportation Engineering attributed to the Group as at 30 June 2022. The actual gain or loss arising from the Equity Transfer will be recorded by the Company and is subject to the audit of the consolidated financial statements of the Group by the auditors of the Company.

Upon completion of the Equity Transfer, the Company will cease to hold any interest in Transportation Engineering, whose financial results will no longer be consolidated into the consolidated financial statements of the Company.

Information on Transportation Engineering

Transportation Engineering is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. Transportation Engineering is principally engaged in property rental, car park operation and property management businesses.

Based on the audited consolidated financial statements of Transportation Engineering prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, the consolidated financial information of Transportation Engineering for the two years ended 31 December 2020 and 31 December 2021 are as follows:

	For the year	
	ended 31 December	
	2021	2020
	<i>(audited)</i>	<i>(audited)</i>
	<i>(RMB)</i>	<i>(RMB)</i>
Profit before tax	1,306,469.66	644,911.06
Profit after tax	1,163,070.69	430,594.17

LETTER FROM THE BOARD

Reasons for and Benefits of the Equity Transfer

The Equity Transfer is beneficial to enable the Company to focus on its principle business and reasonably coordinate relevant business assets to achieve economies of scale. In addition, the proceeds from the Equity Transfer will be used to repay the Company's debt, which is conducive to alleviating the Company's funding pressure and safeguarding the common interests of all stakeholders.

Directors' Opinions

The Directors (including the independent non-executive Directors) are of the view that the Equity Transfer Agreement and the Equity Transfer contemplated thereunder, though not entered into in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Guo Junfa, an executive Director of the Company, is the assistant to the general manager of GCGC. Mr. Chen Min, a non-executive Director, is the general counsel of GCGC. Mr. Chen Chuxuan, a non-executive Director, is the deputy chief accountant and the head of the strategic development department of GCGC. Therefore, they are deemed to be materially interested in the Equity Transfer Agreement. Mr. Guo Junfa, Mr. Chen Min and Mr. Chen Chuxuan have abstained from voting on the resolution approving the Equity Transfer Agreement and the Equity Transfer contemplated thereunder. Save as disclosed above, none of the other Directors has any material interest in the Equity Transfer Agreement and the Equity Transfer contemplated thereunder and is therefore required to abstain from voting on the relevant resolution.

Information on Other Parties

The Group

The Company was established under the laws of the PRC as a joint stock limited company with its H Shares listed on the Stock Exchange. The Group is principally engaged in the business of travel services.

GCGC

GCGC is a controlling shareholder of the Company which holds approximately 74.12% of the entire issued share capital of the Company as at the Latest Practicable Date. GCGC is a state-owned enterprise in the PRC and is wholly-owned by Guangdong State-owned Asset Supervision and Administration Commission. GCGC and its subsidiaries are principally responsible for the investment, construction and management of the expressways in the Guangdong Province and are also engaged in the logistics and transportation.

LETTER FROM THE BOARD

Guangdong Litong

Guangdong Litong is principally engaged in integrated development and operation business by providing land and other supporting resources through coordinating the planning, development and management of land and property resources, with a focus on the development of land along expressways and urban integrated commercial complexes and the cultivation of platforms.

Implications under the Listing Rules

As at the Latest Practicable Date, GCGC is the controlling shareholder of the Company, directly holding approximately 74.12% of the total issued share capital of the Company. As Guangdong Litong is a wholly owned subsidiary of GCGC, Guangdong Litong is therefore a connected person of the Company and the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Equity Transfer exceeds 25% but is less than 75%, the Equity Transfer constitutes a major transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Equity Transfer Agreement and the Equity Transfer contemplated thereunder. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Equity Transfer Agreement and the Equity Transfer contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

III. EGM

The Company will convene the EGM for the purpose of considering, and if thought fit, among other matters, approving the Equity Transfer Agreement and the major and connected transaction regarding the Equity Transfer contemplated thereunder. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM will be taken by poll. A notice of the EGM is set out on pages 131 to 132 of this circular.

A form of proxy for use at the EGM and a reply slip are enclosed with this circular and are also published on the website of the Stock Exchange. The form of proxy for use at the EGM (also despatched to Shareholders on 28 September 2022) is also published on the websites of the Stock Exchange and the Company. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy for use at the EGM in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

GCGC and its close associates will abstain from voting on the resolution approving the Equity Transfer Agreement and the major and connected transaction regarding the Equity Transfer contemplated thereunder at the EGM. As at the Latest Practicable Date, GCGC is entitled to exercise or control the exercise of the voting rights of a total of 592,847,800 Domestic Shares, representing approximately 100% of the total issued share capital of the Company in respect of the Domestic Shares and approximately 74.12% of the total issued share capital of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, none of the close associates of GCGC holds any Shares. Save as disclosed above, other than GCGC, no other Shareholders of the Company will be required to abstain from voting at the EGM.

IV. RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 13 and 14 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 15 and 32 of this circular, in relation to the Equity Transfer Agreement and the Equity Transfer contemplated thereunder, as well as the Independent Financial Adviser's principal factors and reasons considered in arriving at such advice.

The Independent Board Committee, having taking into account and based on the advice of the Independent Financial Adviser, considers that although the entering into of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder is not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Therefore, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolution(s) approving the Equity Transfer Agreement and the transaction contemplated thereunder.

LETTER FROM THE BOARD

V. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,

By order of the Board

Guangdong Yueyun Transportation Company Limited

Guo Junfa

Chairman of the Board

* *For identification purposes only*



廣東粵運交通股份有限公司

Guangdong Yueyun Transportation Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 03399)

28 September 2022

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO EQUITY TRANSFER AGREEMENT
AND THE EQUITY TRANSFER CONTEMPLATED THEREUNDER**

We refer to the circular issued by the Company to its Shareholders and dated 28 September 2022 (“**Circular**”) of which this letter forms a part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the Equity Transfer Agreement and the Equity Transfer contemplated thereunder will constitute a major and connected transaction for the Company and is subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board to consider and advise the Independent Shareholders as to whether the Equity Transfer Agreement and the Equity Transfer contemplated thereunder is fair and reasonable, and to make recommendation as to whether the Independent Shareholders should vote in favor of the resolution proposed at the EGM to consider and, if thought fit, approve the Equity Transfer Agreement and the Equity Transfer contemplated thereunder. Vinco Financial has been appointed as the independent financial adviser to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from Vinco Financial as set out in the Circular.

Having considered the principal factors and reasons considered by, and the advice of, Vinco Financial as set out in its letter of advice, we consider that although the entering into of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder is not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution approving the Equity Transfer Agreement and the major and connected transaction regarding the Equity Transfer contemplated thereunder at the EGM.

Yours faithfully,

on behalf of the

Independent Board Committee

Su Wujun

Huang Yuan

Shen Jialong

Zhang Xiangfa

Independent Non-executive Directors

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder, which has been prepared for the purpose of incorporation in this circular:

VINCO 榮高 Vinco Financial Limited

28 September 2022

*To the Independent Board Committee and the Independent Shareholders of
Guangdong Yueyun Transportation Company Limited*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

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 Equity Transfer Agreement and the Equity Transfer contemplated thereunder, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 28 September 2022 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular, unless the context otherwise requires.

On 10 August 2022, the Company and Guangdong Litong entered into the Equity Transfer Agreement in relation to the Equity Transfer, pursuant to which the Company has conditionally agreed to sell, and Guangdong Litong has conditionally agreed to acquire, 100% equity interest in Transportation Engineering, a wholly-owned subsidiary of the company, at a total consideration of RMB216,637,157.08.

According to the Letter from the Board, as at Latest Practicable Date, GCGC is the controlling shareholder of the Company, directly holding approximately 74.12% of the total issued share capital of the Company. As Guangdong Litong is a wholly owned subsidiary of GCGC, Guangdong Litong is therefore a connected person of the Company and the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Equity Transfer exceeds 25% but is less than 75%, the Equity Transfer constitutes a major transaction of the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements.

LETTER FROM VINCO FINANCIAL

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Su Wujun, Ms. Huang Yuan, Mr. Shen Jialong and Mr. Zhang Xiangfa, has been established to advise the Independent Shareholders as to whether the Equity Transfer Agreement and the Equity Transfer contemplated thereunder are entered into the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. We, Vinco Financial, have been appointed and approved by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

During the past two years, we have not acted as an Independent Financial Adviser to the Independent Board Committee and/or the Independent Shareholders. We are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on, among other things, the Equity Transfer Agreement and the Equity Transfer contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete as at the date of the Circular and

LETTER FROM VINCO FINANCIAL

that all expectations and intentions of the Directors, the management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the management.

We consider that we have reviewed all currently available information and documents, among others: (i) the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”) and the annual results of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); (ii) the annual results of Transportation Engineering for two years ended 31 December 2021; (iii) the announcement in relation to the Equity Transfer Agreement and the Equity Transfer contemplated thereunder dated 10 August 2022 (the “**Announcement**”); (iv) the Equity Transfer Agreement; (v) the asset valuation report of Transportation Engineering prepared by an independent third party Valuer dated 30 May 2022 (the “**Asset Valuation Report**”); (vi) the calculation basis and assumptions considered by the Group; and (vii) the minutes of the meeting of the board of directors of the Company which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Our opinion is necessarily based on the management’s representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Equity Transfer Agreement, in addition, where information in this letter has been extracted from published or otherwise publicly available sources including but not limited to the 2022 Interim Report, the 2021 Annual Report and other economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date, it is our responsibility to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information. 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. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

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This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in respect of and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder, we have taken into account the principal factors and reasons set out below:

Information of the Group

The Company was established under the laws of the PRC as a joint stock limited company with its H Shares listed on the Stock Exchange. The Group is principally engaged in the business of travel services.

Set out below is the summary of the Group's unaudited consolidated financial information for the six months ended 30 June 2022 as extracted from the 2022 Interim Report.

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Operating income		
– Expressway service zones operation	1,886,617	1,820,236
– Road passenger transportation and auxiliary business	972,248	1,184,237
– Taiping interchange operation	43,570	57,310
– Other business	12,627	30,684
	<hr/>	<hr/>
	2,915,062	3,092,467
Loss attributable to Shareholders	(77,423)	(60,765)

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	As at	
	30 June 2022	31 December 2021
	RMB'000 (unaudited)	RMB'000 (audited)
Total assets	10,243,466	10,543,633
Net assets	2,650,121	2,742,709
Equity attributable to Shareholders	1,779,139	1,849,432

For the six months ended 30 June 2022, the Group recorded an operating income of approximately RMB2,915.1 million, representing a decrease of approximately 5.74% as compared to that of the six months ended 30 June 2021 of approximately RMB3,092.5 million. Pursuant to the 2022 Interim Report, the decrease in operating income was due to a decrease in traffic and passenger flow as a result of epidemic control in certain areas of Guangdong Province during the first half of the year.

The Group recorded a loss attributable to Shareholders for the six months ended 30 June 2022 in the amount of approximately RMB77.4 million, representing an increase of approximately 27.41% as compare to that for the six months ended 30 June 2021 in the amount of approximately RMB60.8 million. The increase in loss was mainly due to (1) year-on-year decrease in the revenue and gross profit of its road passenger transportation business, retail business, merchant solicitation business and Taiping interchange business due to control measures addressing COVID-19 resurgence in certain areas of Guangdong Province together with the corresponding toll it took on transportation environment; and (2) active securement of subsidy under relevant policies, resulting a year-on-year increase in local subsidies, offsetting part of the impact of decrease in gross profit.

The Group's unaudited total assets and net assets as at 30 June 2022 amounted to approximately RMB10,243.5 million and approximately RMB2,650.1 million respectively decreased by approximately 2.85% and 3.38% respectively compared to those as at 31 December 2021. The Group's unaudited equity attributable to Shareholders decreased by approximately 3.80% to approximately RMB1,779.1 million as at 30 June 2022 from approximately RMB1,849.4 million as at 31 December 2021.

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Set out below is the summary of the Group's audited consolidated financial information for the two years ended 31 December 2021 as extracted from the 2021 Annual Report.

	For the year ended 31 December	
	2021	2020
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Operating income		
– Expressway service zones operation	3,726,307	3,003,512
– Road passenger transportation and auxiliary service	2,345,574	2,297,644
– Taiping interchange assets operation services	121,446	66,018
– Material logistics services	69,759	210,418
– Other operating income	7,444	7,949
	6,270,530	5,585,541
Loss attributable to Shareholders	(220,330)	(229,193)
	As at 31 December	
	2021	2020
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Total assets	10,543,633	11,052,730
Net assets	2,742,709	3,150,113
Equity attributable to Shareholders	1,849,432	2,071,291

For the year ended 31 December 2021, the Group recorded an operating income of approximately RMB6,270.5 million, representing an increase of approximately 12.26% as compared to that of the year ended 31 December 2020 of approximately RMB5,585.5 million. Pursuant to the 2021 Annual Report, the increase in revenue was mainly attributable to a recovery for the businesses as the effects of pandemic eased and an expansion in the scale of the energy business.

The Group recorded a loss attributable to Shareholders for the year ended 31 December 2021 in the amount of approximately RMB220.3 million, representing a decrease of approximately 3.87% as compare to that for the year ended 31 December 2020 in the amount of approximately RMB229.2 million. The decrease in loss was mainly due to an increase in operating income and effective control on costs, partially offset by a year-on-year decrease in subsidies for operation of new energy vehicles for the period as no clear standard for new government subsidies had been promulgated.

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The Group's audited total assets and net assets as at 31 December 2021 amounted to approximately RMB10,543.6 million and approximately RMB2,742.7 million respectively decreased by approximately 4.61% and 12.93% respectively compared to those as at 31 December 2020. The Group's audited equity attributable to Shareholders decreased by approximately 10.71% to approximately RMB1,849.4 million as at 31 December 2021 from approximately RMB2,071.3 million as at 31 December 2020.

Information of GCGC

GCGC is a controlling shareholder of the Company which holds approximately 74.12% of the entire issued share capital of the Company as at the Latest Practicable Date. GCGC is a state-owned enterprise in the PRC and is wholly-owned by Guangdong State-owned Asset Supervision and Administration Commission. GCGC and its subsidiaries are principally responsible for the investment, construction and management of the expressways in the Guangdong Province and are also engaged in the logistics and transportation.

Information of Transportation Engineering

Transportation Engineering is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. Transportation Engineering is principally engaged in property rental, car park operation and property management business.

The summary of the financial information of Transportation Engineering for the two years ended 31 December 2020 and 2021 as follows:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(audited)	(audited)
Operating income	14,881	14,827
Profit after tax	1,163	431
	As at 31 December	
	2021	2020
	RMB'000	RMB'000
	(audited)	(audited)
Total assets	39,859	39,610
Net liabilities	(10,902)	(12,105)

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The operating income of Transportation Engineering remained stable during the two years ended 31 December 2021. Transportation Engineering recorded a profit after taxation for the year ended 31 December 2021 in the amount of approximately RMB1.2 million from approximately RMB431,000 for the year ended 31 December 2020. This is mainly attributable to the reduction in the operating cost including maintenance and safety expenses.

The audited total assets and net liabilities of Transportation Engineering as at 31 December 2021 amounted to approximately RMB39.9 million and RMB10.9 million respectively, representing a relatively stable in total assets and a decrease in net liabilities of approximately 9.94% as compared to those of as at 31 December 2020 of approximately RMB39.6 million and RMB12.1 million respectively. This is due to the settlement of accounts payable.

Information of Guangdong Litong

Guangdong Litong is principally engaged in integrated development and operation business by providing land and other supporting resources through coordinating the planning, development and management of land and property resources, with a focus on the development of land along expressways and urban integrated commercial complexes and the cultivation of platforms.

Reasons for and benefits of entering into the Equity Transfer Agreement

As disclosed in the Letter from the Board, the Equity Transfer is beneficial to enable the Company to focus on its principal business and reasonably coordinate relevant business assets to achieve economies of scale. In addition, the proceeds from the Equity Transfer will be used to repay the Company's debts, which is conducive to alleviating the Company's funding pressure and safeguarding the common interests of all stakeholders. According to the article in relation to the greater China top office supply and demand trends issued by Cushman & Wakefield, a global commercial real estate services firm on 3 March 2022, Guangzhou's grade A office market will involve a new round of new supply, which is expected to put pressure on both the market vacancy rate and rental in the short term in 2022. As such, we consider disposing Transportation Engineering would not be a disadvantage to the Company since the principal business of Transportation Engineering is commercial real estate leasing in Guangzhou and the coming trend of the office leasing there would be fairly competitive as more new options would be available for the potential tenants to choose in the market. Nevertheless, according to the report named as "China's 14th Five-Year Plan – What's Next For Real Estate?" issued by Cushman & Wakefield on 21 October 2021, since the end of lockdown in China, the work from home experience has allowed many office employees in China a choice of working venue during any given weekday. Thinking, culture and habits concerning work have also been transformed, with many employees looking to work away from the office on at least one day a week. This perception has not gone unnoticed by companies operating in China. Hence, we are of the view that the commercial leasing business conducted by Transportation Engineering would be challenging when the above condition becomes widely featured in China that the Equity Transfer may be in the interests of the Company in terms of the expected revenue to be generated in the coming years.

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In addition, we have noted that both total assets and net assets of the Group as at 31 December 2021 reduced 4.61% and 12.93% respectively to those as at 31 December 2020. Pursuant to 2021 Annual Report, the gearing ratio (net debt/total equity) increased by 4.50% from 36.42% as at 31 December 2020 to 40.92% as at 31 December 2021 while the liability to asset ratio (total liabilities/total assets) increased by 2.49% from 71.50% as at 31 December 2020 to 73.99% as at 31 December 2021 respectively. Hence, it is understandable the Equity Transfer could help improving the liquidity of the Group by using the proceeds from the Equity Transfer. Having considered the above, we are of the view that the Equity Transfer Agreement and the Equity Transfer contemplated thereunder are in the interests of the Company and its Shareholders as a whole although they are not the ordinary and usual course of the business of the Group.

Summary of the principal terms of the Equity Transfer Agreement

Date

10 August 2022

Parties

Seller: the Company

Buyer: Guangdong Litong

Subject of Transfer

100% equity interest in Transportation Engineering, a wholly-owned subsidiary of the Company

Consideration and Payment Terms

The total consideration of Equity Transfer is RMB216,637,157.08, which was determined after arm's length negotiations between the Company and Guangdong Litong with reference to the valuation of 100% equity interest in Transportation Engineering as at the Benchmark Date determined by an independent third party Valuer, using the asset-based approach as set out in the Asset Valuation Report. Please refer to Appendix III and IV to the Circular respectively for main text of the Asset Valuation Report and the major assumptions/basis of the valuation methods adopted.

As at the Benchmark Date, the book value of all assets of Transportation Engineering was RMB39,858,566.36, with an appraised value of RMB347,519,913.64, representing an appreciation of RMB307,661,347.28 and an appreciation value of 771.88%.

Such appreciation in asset value was mainly attributable to the appreciation of a parcel of land owned by Transportation Engineering due to a change in land use. The land was originally of industrial use with a site area of 23,434.00 m² and a value of approximately

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RMB1,600 per square meter based the unit price of the industrial land in this area on the Benchmark Date. The land was subsequently included in the scope of the “Three-old Redevelopment” and converted from industrial land to commercial land, road and green land. After the conversion, the net site area of the land was 14,434.00 m², with a plot ratio of 4.5, providing a capacity building area of 64,964.17 m² and a value of over RMB50,000 per square meter on the Benchmark Date. The valuation of the land for the purpose of disposal was carried out according to the regulated land use after land adjustment, thus resulting in the appreciation. The book value of liabilities was RMB50,764,287.16, with appraised value of RMB130,882,756.56; the book value of net liabilities was RMB10,905,720.80, with an appraised value of RMB216,637,157.08, representing an appreciation of RMB227,542,877.88. The liability items were appraised based on cost approach. In particular, the Valuer reviewed the balance sheets, general ledgers, itemized breakdowns, and detailed appraisal statements provided by Transportation Engineering to examine whether the amounts, content, quantities and dates were consistent with its account books. For large-sum payments, audited book values were used as the appraised values. The appreciation of the non-current liabilities was mainly attributable to an increase in deferred income tax liabilities. The carrying amount of deferred income tax liabilities was nil. Given that, however, there was an amount of appreciation in investment properties of RMB320,473,877.59, and the income tax rate is 25% for the income tax payable on the value-added portion of the investment properties measured using the fair value model, there was an increase of RMB80,118,469.40 in the deferred income tax liabilities (i.e. $\text{RMB}320,473,877.59 \times 25\% = \text{RMB}80,118,469.40$).

Guangdong Litong shall pay the entire consideration for the Equity Transfer in one lump sum to the Company within 20 working days from the effective date of the Equity Transfer Agreement.

As at the Benchmark Date, the total principal and interest of the loan to the Company to Transportation Engineering amounted to RMB46,866,700, of which the principal of interest-free loan amounted to RMB40,800,000, the principal of interest-bearing loan amounted to RMB6,000,000 (at an interest rate of 4.35% per annum), and the interest amounted to RMB66,700. Guangdong Litong agreed to provide shareholder’s loan to Transportation Engineering for the repayment of the principal and interest of the loan owed to the Company by Transportation Engineering on the date of completion of the industrial and commercial registration of the Equity Transfer. The specific repayment amount shall be the principal and interest of the loan as at the date of change of industrial and commercial registration as confirmed by Transportation Engineering and the Company.

According to the Asset Valuation Report, the valuation of Transportation Engineering (the “**Valuation**”) as at Benchmark Date was RMB216.64 million. In preparing the Asset Valuation Report, the Asset Valuer selected asset-based approach to conclude the Valuation. The consideration for the Equity Transfer is equivalent to the Valuation.

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Debt Interests and Liabilities and Profit or Loss

Before and after the transfer of 100% equity interest in Transportation Engineering, the debt interests and liabilities of Transportation Engineering shall continue to be enjoyed and borne by Transportation Engineering, respectively.

Commencing from 1 January 2022 (i.e. the day immediately after the Benchmark Date), all profits and losses incurred by Transportation Engineering shall be enjoyed and borne by Guangdong Litong.

The debts of the Transportation Engineering incurred prior to the Benchmark Date (including the Benchmark Date) and not disclosed in the net asset assessment audit report and assets appraisal report shall be borne by the Company, and therefore if there are any losses arising therefrom to Guangdong Litong or Transportation Engineering after the completion of the Equity Transfer, Guangdong Litong or Transportation Engineering shall have the right to recover from the Company.

Conditions precedent

The validity of the Equity Transfer Agreement shall depend on the satisfaction of all of the following conditions:

- the Equity Transfer Agreement having been duly entered into by the parties thereto;
- Guangdong Litong having obtained appropriate internal approval for the Equity Transfer;
- the Company having obtained the approval of the Board and the Independent Shareholders at the extraordinary general meeting in respect of the Equity Transfer; and
- the asset appraisal report having been filed with GCGC.

Completion

Completion of the Equity Transfer shall take place within 20 working days from the effective date of the Equity Transfer Agreement (i.e. the date on which all the conditions precedent to the Equity Transfer Agreement are satisfied). The parties agreed to proceed with the registration of the change of Equity Transfer with the relevant government authorities in accordance with the relevant national, provincial and municipal regulations and the Equity Transfer Agreement.

The parties agreed that the Benchmark Date of the Equity Transfer shall be 31 December 2021. The completion date of the Equity Transfer shall be the date of completion of the change of industrial and commercial registration of the Equity Transfer.

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Guangdong Litong agreed to assume the responsibility as a contributor to the capital of Transportation Engineering in accordance with the applicable law upon the transfer of equity interest in Transportation Engineering.

Use of Proceeds from the Equity Transfer and Financial Effects of the Equity Transfer

As of 30 June 2022, the Company has cash at bank and on hand balance of RMB596.89 million, short-term borrowings to be repaid and non-current liabilities due within one year of RMB479.45 million (including: short-term borrowings of RMB40.0 million, bonds payable due within one year of RMB391.16 million and other non-current liabilities due within one year of RMB48.29 million). According to the current plan of the Company, it is intended that 100% of the net proceeds from the equity transfer of the Company will be used to repay part of the debts of the Company to relieve the funding pressure.

The Group expects to accrue a gain before tax of approximately RMB226,770,635.54 in relation to the disposal, which is calculated based on the consideration for the disposal less the relevant portion of the book value of net assets of Transportation Engineering attributed to the Group as at 30 June 2022. The actual gain or loss arising from the Equity Transfer will be recorded by the Company and is subject to the audit of the consolidated financial statements of the Group by the auditors of the Company.

Upon completion of the Equity Transfer, the Company will cease to hold any interest in Transportation Engineering, whose financial results will no longer be consolidated into the Consolidated financial statements of the Company.

Our analysis

We have reviewed the Asset Valuation Report and held interviews with the Valuer to enquire into the methodology adopted for and the basis and assumptions used in the Valuation. For our due diligence purpose, we have also reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Asset Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer to arrive at the Valuation. Based on the website of the China Appraisal Society* (中國資產評估協會) (the "CAS") at <http://www.cas.org.cn>, the Valuer is one of the asset valuation firms with asset valuation qualification recognised by the CAS to perform asset appraisal works in the PRC. From the mandate letter and other relevant information provided by the Valuer and based on our interviews with them, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for preparation of the Asset Valuation Report. The Valuer also confirmed that they are independent to the Company, Transportation Engineering and Guangdong Litong and their respective associates.

In the course of our discussion with the Valuer, we understand that there are three main types of valuation approaches are commonly adopted for assets valuation, namely market approach, income approach and asset-based approach. We noted from the Valuer that both

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market approach and income approach were not suitable for the valuation of Transportation Engineering. The market approach is not applicable because it is difficult to access to the comparable which is same or similar to Transportation Engineering due to the underdeveloped market of enterprise and equity transactions in the PRC. Hence, there is no relevant adjustment indicators and technical parameters to be obtained to appraise through comparable transactions. Also, the securities market in China is in the developing stage that the Valuers considered it is difficult to fairly reflect a company's value under the current actual situations in the PRC. The reason of income approach not being selected for the final valuation approach is that the asset-based approach could reflect the value of the entire shareholders' equity better from the perspective of cost acquisition comparatively. Given that both approaches assumed the Three-old Redevelopment Plan (under the government purchase model) is approved by the end of the fifth year after the Benchmark Date and all compensation funds could be fully collected within one year thereafter, the difference between the valuation conclusion of these two approaches was relatively small. Therefore, the asset-based approach is selected as the final conclusion of the Valuation.

Based on the above, we noted that (i) the income approach requires subjective assumptions to which the valuation is highly sensitive, and detailed operational information and long-term financial projections are also needed to arrive at an indication of value which involves high level of uncertainties; and (ii) the market approach requires sufficient recent comparable transactions while they are not currently available in the PRC market. Therefore, we are of the view that both income approach and market approach may not be the most appropriate valuation methods. On the other hand, given the purpose of the valuation is to evaluate the entire shareholders' equity of Transportation Engineering which involved in the Equity Transfer, we are of the view that the asset-based approach is a more preferable methodology as compared to the income approach and market approach. We agree with the Valuer's adoption on asset-based approach, which values the fair market value of assets from the replacement cost perspective, can reflect the intrinsic value of the enterprises' assets. Also, the asset-based approach is one of the commonly adopted approaches for concluding valuation of companies and is also consistent with normal market practice. Based on the above reasons, we concur with the Valuer's view that the adoption of asset-based approach for the valuation of Transportation Engineering is fair and reasonable. Therefore, we did not consider to adopt other methodologies in evaluating the valuation of Transportation Engineering. We have reviewed each of the balance sheet items of the Transportation Engineering as at 31 December 2021 and considered that the Transportation Engineering' assets and liabilities, mainly including real estate investment, fixed assets, cash and cash equivalents, receivables and payables are clearly identifiable, the Valuer can value each of the assets and liabilities in the balance sheet of Transportation Engineering as at the Benchmark Date by appropriate valuation methodologies under the adoption of asset-based approach.

In assessing the appraised value of Transportation Engineering, the Valuer obtained Transportation Engineering's detailed audited balance sheet related information and collected the relevant information which fulfills the asset-based approach requirement to comprehensively assess the market value of Transportation Engineering's assets and liabilities as at the Benchmark Date. For the housing of real estate investment, the valuation is under an

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assumption that “the Three-Old Redevelopment Plan”, a plan on the renovation of the old urban areas, old villages and old plants approved by the People’s Government of Guangdong Province* (廣東省人民政府), will be approved after five years and the original property still has five years of rental income. In this valuation, the income approach is used to obtain the net cash flow of five years and discount it. For the land of real estate investment, we understand from the Asset Valuation Report that it mainly includes the land use rights on land parcels in Baiyun District in Guangdong Province. Pursuant to the Asset Valuation Report, the Valuer compared the land to be appraised with similar land transactions which have been incurred in the market recently with reference to the individual factors including but not limited to the land size, location, price, nature of the use of land in assessing the value of the land owned by Transportation Engineering. We noted that the reference to recent comparable land transactions has been made in terms of, among other factors, usage, proximity and date and found the market value of the land parcels is estimated by referencing 3 relevant land transactions of general land in the locality used for business purposes.

For fixed assets, mainly including the housing buildings, vehicles and electronic equipment, according to the Asset Valuation Report, the assessment on the valuation of housing buildings was determined by market prices. While evaluating the vehicle and electronic equipment, we understand from the Asset Valuation Report that the depreciation method and the policy implemented by the Chinese government in relation to the tax reduction are taking into account of the appraisal.

For the other assets and liabilities, mainly including cash and cash equivalent, other receivables, accounts payable, advanced payment and other payable, the Valuer has taken into consideration their existence, ownership and recoverability and hence adopted their book value in the audited accounts as at the Benchmark Date.

Based on the above, as the Valuer has considered different nature of the assets and liabilities of Transportation Engineering and adopted appropriate valuation methodologies and assumptions in assessing their fair values under the asset-based approach, we are of the view that the adoption of asset-based approach to determine the Valuation is reasonable. Based on our review and analysis of the Asset Valuation Reports, having considered the competence of the Valuer and the reasonableness of the valuation approaches, basis and assumptions being adopted, we are of the view that the consideration for the Equity Transfer is fair and reasonable.

The increase in the appraised value of Transportation Engineering is mainly attributable to the appreciation in the asset value of the land as explained in the section headed “Consideration and Payment Terms” in this letter. We found the appraised value of the land with a site area of 23,434 m² (the “**23,434 m² Land**”) is approximately 41 times of its net book value as at 31 December 2021 as a result of (i) the change of the usage of the land parcel from industrial use to commercial, road and greening uses; (ii) the appreciation of land over time since the Group completely purchased the entire equity interest in Transportation Engineering in 2011; and (iii) the adjustment made according to the recent comparable land sale transactions in the market.

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We have reviewed the information of the three sale transactions used to compare with the 23,434 m² Land by the Valuer (the “**Market Comparable**”) and noted that they are (i) located in the same district as the 23,434 m² Land; (ii) used as commercial land; (iii) listed for sale in the market from December 2019 to December 2021 which were within approximately 2 years from the Benchmark Date; (iv) sold with land size of not more than 30,000 m² with plot ratio not more than 5; (v) with 40 years of useful life of the land; (vi) with general supporting public facilities; and (vii) with flat landform and general geological conditions. In terms of the above factors, we are of the view that the Market Comparable is similar to the 23,434 m² Land and is comparable.

Based on the information of the sale transactions obtained in XuanZhi (Tianjin) Technology Limited Company* (選哪兒(天津)科技有限公司), an online property agency (Source: <https://www.xuanzhi.com>), LandChina.com* 中國土地市場網 (Source: <https://www.landchina.com>) and the announcements published by Guangzhou Municipal Planning and Natural Resources Bureau* (廣州市規劃和自然資源局) (Source: <http://ghzyj.gz.gov.cn>), we conducted an independent research on the selling price of the Market Comparable and noted that they ranged from approximately RMB8,000 to approximately RMB10,000 per square meter. We understand the Valuer has taken into account various factors when comparing the Market Comparable and 23,434 m² Land, including but not limited to the use of land, the transaction period, the land size and its plot ratio, the useful life of the land, the status of the nearby public facilities and land condition. According to the Asset Valuation Report, we noted that the selling price of the Market Comparable ranged from approximately RMB8,320 to approximately RMB9,800 per square meter, which is similar to the result of our findings disclosed above.

We understand that the valuation adjustments were commonly used in the valuation practice. In order to make a relevant and appropriate adjustment on the appraised value of the 23,434 m² Land, we found below adjustments have been considered by the Valuer,

- (i) as the market approach determines the value of the land by comparing recent transaction prices of similar land based on the correction coefficients for the comparative factors of the Market Comparable such as transaction date and regional factors, we have reviewed the indexes which the Valuer gave to each comparative factors and noted that the appropriate adjustments have been made by the Valuer to reflect the difference between the respective Market Comparable and 23,434 m² Land;
- (ii) the average growth rate of land for commercial use in Guangzhou is expected to reach approximately 3% in the next five years based on the average growth rate of land for commercial use in Guangzhou during the period of 2017 to 2021 as we reviewed in the Monitoring Report on Land Prices in Major Cities of China* (全國主要城市地價監測報告) (Source: <https://www.mnr.gov.cn>);

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- (iii) the appraised price based on the compensation for the portion of commercial service facilities land with gross plot ratio of below 2.5 (inclusive) can be calculated at a price not higher than the public transfer price or 60% of the market appraised price for new planned use and for those above 2.5 can be calculated at the public transfer price or 10% of the market appraised price for new planned use which we found on the Notice of the General Office of the People's Government of Guangzhou on Circulating the Implementation Rules for Guangzhou's Further Promotion of Urban Renewal Work (Sui Fu Ban Gui [2019] No. 5)* (《廣州市人民政府辦公廳關於印發廣州市深入推進城市更新工作實施細則的通知》穗府辦規[2019]5號) and the cost of demolishing the existing plants, soil environment investigation and risk assessment under the government purchase model; and
- (iv) as mentioned earlier in this letter that the assumption of “the Three-Old Redevelopment Plan” was made for the valuation, the Valuer discounted the adjusted land price taking into account such plan will be approved after five years and the compensation funds will be received the year after. We noted that such discount rate is composed of the Chinese bond yield rate which we reviewed the reference from the online site of the Ministry of Finance of PRC (Source: https://yield.chinabond.com.cn/cbweb-czb-web/czb/moreInfo?locale=cn_ZH&nameType=1) and various risk assessment rates. As confirmed with the Valuer in the interview, the assumption of the 23,434 m² Land being approved after five years is advised by Department of Natural Resources of Guangdong Province* 廣東省自然資源廳. We had independently contacted with the personnel there and confirmed this assumption is reasonable.

Given the market approach is commonly adopted and well recognised for valuing land and properties, the methodology, together with the major underlying basis and assumptions made for the valuation of the 23,434 m² Land including the selection of the Market Comparable and various adjustments we reviewed, we concurred with the Valuer that the appraised value of the 23,434 m² Land is fair and reasonable.

Further to the above, taking into account that (i) the methodology adopted for and the basis and assumptions used in the Valuation are fair and reasonable; (ii) Valuation is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole; and (iii) the consideration for the Equity Transfer is equivalent to the Valuation, we are of the view that the consideration is fair and reasonable so far as the Independent Shareholders are concerned and the terms of the Equity Transfer Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

LETTER FROM VINCO FINANCIAL

Possible financial effects of the Equity Transfer

Effect on earnings

As stated in the section headed “Use of Proceeds from the Equity Transfer and Financial Effects of the Equity Transfer” in the Letter from the Board, upon completion, the Company expects to realise a gain before tax of approximately RMB226.8 million in relation to the disposal, which is calculated based on the consideration for the disposal less the share of the book value of net assets of Transportation Engineering attributed to the Group as at 30 June 2022. The actual gain or loss arising from the Equity Transfer will be recorded by the Company and is subject to the audit of the consolidated financial statements of the Group by the auditors of the Company.

Effect on net asset value

With reference to the 2022 Interim Report, the unaudited consolidated net assets value of the Group was approximately RMB2,650.1 million as at 30 June 2022. Upon Completion, the Company will no longer hold any interest in the Transportation Engineering and the Transportation Engineering will cease to be subsidiaries of the Company. As advised by the Company, the Equity Transfer would increase the consolidated net assets value of the Group.

Effect on cash flow

With reference to the 2022 Interim Report, the unaudited bank balance and cash of the Group as at 30 June 2022 amounted to approximately RMB1,154.9 million. Given that the consideration for the Equity Transfer will be paid in cash to the Company, it is expected that there will be a positive impact on the cash flow of the Company arising from the Equity Transfer and the bank balances and cash would increase.

It should be noted that the above mentioned financial effects are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Equity Transfer. The actual financial effects may differ and are subject to audit.

LETTER FROM VINCO FINANCIAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable; and (ii) although the Equity Transfer is not conducted in the ordinary and usual course of business of the Group, it 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 resolutions to be proposed at the EGM to approve the Equity Transfer Agreement and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Expressway Service Zones Operation

Energy Business

- (1) Continuing to expand the coverage of our oil station network. The Group endeavors to integrate our internal resources with external resources to grow the business bigger and become a leader in the sector in a short period by striving to establish clusters of oil stations and physical oil station projects in the near term. We have accelerated the progress of investment, construction and operation of 4 new self-operated oil stations including New Yangjiang and Shengtang stations within new service zones and the reconstruction, investment and operation of 2 oil stations, one of them situated at Humen Bridge, in relevant service zones. We are striving to set up a total of 64 self-built and self-operated oil stations by the end of 2022 and initially forming a network of self-operated oil stations on expressways.
- (2) Deepening the operation and management of oil stations. We have fully facilitated service standardization across oil stations and the refinement of management practices. Also, we have innovated our marketing forms, increased our brand promotion and enhanced brand awareness. Striving to explore major customers and new members, we have leveraged on the reasonable layouts of resources, and will never cease to strengthen our full-chain management capabilities including the brand-building of our self-operated oil stations, improvements of our design planning, applications for and realization of constructions, operation and marketing, customer relationship and services to name a few, in order to increase the filling up rate and the satisfaction of our customers.
- (3) Further optimizing the procurement of refined oil. We put forward in-depth analysis of the market conditions and price trends of refined oil, seized the best moments to procure oil products and prevented procurement risks in an effective manner. We strengthened the centralized procurement management of refined oil products in transportation units, explored new procurement and distribution models of oil products, improved work efficiency and lowered operating costs.
- (4) Cultivating innovations in profitability models of energy businesses for partnered companies. We deepened our cooperation with Sinopec and PetroChina for establishing a new cooperation model for mutual benefits and actively promoted in-depth cooperation with our joint ventures in respect of oil stations, gas stations and other energy businesses, in order to swiftly expand the scale of our oil stations.

- (5) Drawing layouts for new energies in advance and expanding upstream and downstream segments along the industry chain. Under the objective of “Emission Peak and Carbon Neutrality (碳中和、碳达峰)”, we have innovated the integrated energy development layouts and promoted the implementation of new energy businesses including charging posts and power exchange stations in order to cope with the sweeping revolution of energy structure. We are expanding the upstream and downstream segments along the energy industry chain, so as to form a complete energy business industry chain in areas such as the storage, wholesale and retail of refined oil, and in the meantime, improve the industry structure and diversify market risks.

Retail Business

- (1) Steering towards the same direction for the expansion of Loyee retail store network. We have strengthened the “integrator” function embodied in our retail business, and enhanced its market-oriented competitiveness. With our unceasing efforts in growing our network scale, we are resolute in our quest to achieve the target of adding 10 new stores in 2022.
- (2) Continuing to promote the “big retail (大零售)” strategy. We are taking our gradual climb to realize the parallel development of our convenience stores and comprehensive supermarkets, expanding the “big retail” business chain from simple retailers to wholesalers.
- (3) Exploring new models for the operation and management of retail business. Aligning with our efforts in consolidating the supply chain, we have enhanced our single-store operational efficiency and explored every possibility of ground-breaking changes in our retail business. We conducted in-depth analysis of the characteristics of frequent travelers, continued to optimize product categories, changed store layouts and product display layouts, and created consumption scenarios. We have fully enhanced the overall image and consumer experience of our Loyee stores where our brand new VI (visual design) and SI (store image design) have been launched.
- (4) Reinforcing the management of merchandise categories. By sorting out and optimizing all-category planning, we realized reasonable adjustments and enrichments of our merchandise categories along with our exploration on the possibilities for our self-owned product development.
- (5) Optimizing and improving efforts in soliciting merchants of retail products. Through expanding the impact of our merchandise, we strive to attract more quality suppliers and merchandise on board. Meanwhile, we have been proactively promoting the strategic cooperation with parties such as retail product suppliers from other provinces.

Merchant Solicitation Business

- (1) Expanding and strengthening merchant solicitation business across service zones. We insist on maintaining the current model of “integration, platform-based, industrialization (一體化、平台化、產業化)” to expedite the improvements in both the quality and efficiency across service zones. We have actively pursued “service zones +” initiatives, and integrated with a range of industries, including travelling, culture, logistics and sales of featured products, to better serve the economic and social development needs of local communities.
- (2) Improving the efficiency of merchant solicitation across service zones. We have ensured the respective service zones and road sections of our new traffic projects to commence operations simultaneously, and in the meantime implemented project-based merchant solicitation upon the expiration of contracts as scheduled to ensure seamless transition between contracts. We also took the initiative to utilize idle resources for the creation of incremental gains.
- (3) Creating featured service zones in line with local circumstances. While implementing comprehensive development of hub service zones, we have worked towards our plan to complete the construction and begin the operation of 6 pairs of service zones, including Liangjinshan, to pursue business upgrade and transformation.
- (4) Advancing the brand-building of our self-owned “Yipinhui (驛品薈)” brand. As four pairs of our service zones including Liangjinshan under the “Yipinhui” project kick-started their operations, a rapid growth in our operating income have been secured. We have also boosted our capabilities in merchant solicitation, operation and marketing. Building on our first successful campaign of “Lunar New Year Art & Shopping Festival”, we will continue our path to launch a series of campaigns, including the opening activities of Guangzhou-Zhanjiang Service Zone and the China Expressway Food Festival. Leveraging on our distinctive advantages in business planning and merchant solicitation, we have taken active moves in developing our merchant solicitation agency business and extending the geographic reach of exports.
- (5) Consistently elevating quality across service zones. Through public service projects including the “Toilet Revolution (廁所革命)”, sewage treatment and waste sorting, we are enhancing the degree of comfort and experience with travelling for the general public.

Advertising Business

- (1) Maximizing the value of advertising media resources with a practical approach. We have robustly promoted the planning of advertising resources in our service zones, and in the meantime, launched innovations in design and constructions in order to empower our advertising resources for greater value. While continuously promoting the cooperation and establishment of new advertising media, we have integrated undeveloped integrated media resources and completed extensive development as a whole.
- (2) Optimizing advertising resource planning. Relying on our advertising resources along expressways and at service zones and passenger terminals, we have propelled not only the resource construction, but also business transformation and upgrade, in order to establish an influential transportation and travel media network. Securing our foothold in the field of regional transportation and travel, we endeavor to transform ourselves into a “omni-media facility supplier (全媒體設施供應商)”.
- (3) Expanding integrated marketing services including advertising design and planning. We have reinforced our integrated marketing service, provided integrated promotion services for brand planning and design on various media platforms across provinces for our major customers.

Road Passenger Transportation and Auxiliary Services

The Group will at all times deliver its vision for the new development of passenger transportation, and propel the unprecedented business growth in this regard under the guidance of the “14th Five-Year” Development Plan of Integrated Transportation System of Guangdong Province and Integrated Transportation Services.

- (1) Expediting the construction of digital platform. With the reaffirmation of our development goals and work plans towards informatization, we have reinforced the coordination and consensus on the topic of digitalization. Along with our efforts in securing investments in the information construction to ensure the rapid growth of our platform, we have integrated our WeChat official accounts of Yueyun across different regions and cities with the use of our Yueyun Transportation platform. Adhering to our service philosophy of “Press and Travel (一鍵出行)”, we have promoted the organization and optimization of our operational works of the “Yuexing” platform, as well as the establishment of our operational team. Apart from that, we have coordinated the management of our operational needs and computer software products, and promoted the optimization and improvement of the operational functions of the “Yuexing” platform. In the meantime, we have propelled the construction of the operational system of such platform, and provided services and supervisions to regional transportation companies and made good use of such

platform for the development of our off-stationed businesses. We have promoted the integration of our “Yuexing” platform with mobile travel platforms, Nanyuetong platform and service zone platforms, and in the meantime researched and developed mobile application systems, put forward in-depth application and data management plans for key manufacturing management systems. We have also continuously propelled the system construction and in-depth application training. With our success in completing the platform upgrade in relation to data resources management, we have undertaken the construction and operational works of the intelligent vehicle supervision system of “two passenger, one hazardous material and one heavy-loaded transportation” commissioned by the Department of Transport of Guangdong Province. Such system has reached a coverage of more than 400,000 key operational vehicles being identified as “two passenger, one hazardous material and one heavy-loaded transportation” across the Guangdong Province. With the improvement in our upgrade plans regarding network security and data security, we have reinforced the double-tier protection in the areas of technology and management to secure the operation of our network and data in a safe manner.

- (2) Taking initiative to expand off-stationed businesses. With the addition of travel products on the market, as well as the change of travel options of the population, the Group will take a proactive approach to reform its travel services with the focus of ensuring a high level of convenience, intelligence and market-orientation. Going beyond our terminals on our own initiative, we are making a change to the traditional mode of operation by cross-grouping customers on multi-dimensions such as at multiple points, and via online and offline linkage to yield a higher passenger rate. We have also vigorously expanded our off-stationed businesses and improve their proportion. It is part of our focus to promote the changes from shuttle transportation to customized and chartered passenger transportation. Apart from these, we also encourage the rise of new businesses, namely online car-hailing and car rental services. Meanwhile, we have taken initiative to build connection to transport hubs such as high-speed railway and airports, in an effort to make transportation services available among major traffic points such as scenic points, commercial shopping centers, schools, factories and mines, as well as local communities.
- (3) Minimizing overcapacity and supply inefficiencies. We have ensured the perfect execution of refined management on vehicle inventories and dug deep into their local and cyclical values. By integrating different factors, including short-/long-haul vehicles, low/peak seasons and line redundancy, we have acted decisively in relation to the disposal of idle vehicles, and promoted the reasonable allocation among our operating vehicles of “large-, medium- and small-size (大中小)” through supply-side structural reforms. We have also provided guidance on the matching of operating vehicle models and local market demand in order to lower the operating costs of vehicles and improve our corporate operating efficiency.

- (4) Exploring the diversified development of our businesses. Riding on the national promotion of the rural vitalization strategy, we have captured the opportunities brought by the “town-to-village (鎮通村)” policy. Leveraging on the features of vehicles’ low costs but a high subsidy level and flexibility in operation under the policy, we have innovated new modes of operation for our businesses, and expanded our position in the rural passenger transportation market. Meanwhile, due to the higher costs incurred by diverting logistic enterprises to villages and towns, we have made full use of our existing resources from the passenger transportation network, and realized the integration of “passengers, goods, parcels (客貨郵)” through our cooperation with logistics and postal services.
- (5) Expediting structural adjustments on vehicle models. Through supply-side structural reforms, we have acted decisively in relation to the disposal of idle vehicles, and promoted the reasonable allocation among our operating vehicles of “large-, medium- and small-size”. We have also provided guidance on the matching of operating vehicle models and local market demand in order to lower the operating costs of vehicles. We have reinforced our approvals for vehicle purchase and allocation, prioritizing the coordination and allocation of vehicles for operation needs among our vehicles for internal use.
- (6) Upholding our bottom line of safety production. We are resolute to implement the main responsibility for safety production of the enterprise, with the emphasis on ensuring safety production at all key areas, procedures and time points. While further reinforcing our “four-in-one (四合一)” intelligent control and management, we have troubleshoot issues identified from our system operation and management for the all-round improvement and enhancement of our performance. For enhancing the effectiveness of control, we have actively promoted the mode of centralized control of regional transportation units. We have also improved our emergency management to magnify our abilities in emergence response.
- (7) Unceasingly expanding and optimizing vehicle rescue business. While ensuring the optimal performance of our personalized service for road section owners, we have also helped improving the traffic efficiency of road networks, and strived to acquire expressway vehicle rescue business from entities outside of the Group. We have continued to propel the research and development as well as the project construction of 5G+AI-based cloud service platforms for video monitoring and rescue, in order to realize the visualized management of rescue services throughout the process, and to identify the critical time points for rescue with the aid of intelligent technology. We make use of all means, including safety technology information management platforms, video monitoring and on-site supervision and inspection, to ensure a proper monitoring on the road safety of our rescue crew as well as their operation and practice.

2. INDEBTEDNESS

At the close of business on 31 July 2022, being the latest practicable date for the purpose of the indebtedness statement prior to printing of this circular, the total indebtedness of the Group included the following:

	The Group <i>RMB</i>
Borrowings	
Secured	441,544,552.16
Secured and guaranteed	132,549,631.60
Credit	<u>1,743,097,626.70</u>
 Total	 <u><u>2,317,191,810.46</u></u>
 Bank acceptance bills	
Unsecured or unguaranteed	<u>41,689,150.00</u>
 Bonds payable	
Guaranteed	<u>391,208,559.11</u>
 Other borrowing	
Secured	<u>185,960,187.60</u>
 Lease liabilities	<u>2,217,088,864.21</u>
 Total	 <u><u>5,153,138,571.38</u></u>

Save as disclosed above, at the close of business on 31 July 2022, the Group did not have any other outstanding borrowings or indebtedness including bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase commitments, mortgages, charges or any material contingent liabilities or guarantees.

The Directors confirmed that there is no material change in the indebtedness and contingent liabilities of the Group since 31 July 2022 and up to the Latest Practicable Date.

3. WORKING CAPITAL

Taking into account the internally generated funds and the presently available credit facilities, the Group will have sufficient working capital for its present requirements, which is for at least 12 months from the date of this circular, in the absence of unforeseeable circumstances.

4. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published unaudited consolidated statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2021 have been set out on page 90 to page 288 of the annual report 2021 of the Company which was posted on 29 April 2022 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the annual report 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042901030.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2020 have been set out on page 96 to page 352 of the annual report 2020 of the Company which was posted on 30 April 2021 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the annual report 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043001571.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2019 have been set out on page 112 to page 376 of the annual report 2019 of the Company which was posted on 29 April 2020 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the annual report 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900804.pdf>

5. EFFECT OF THE EQUITY DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The Company intends to use the net proceeds from the Equity Transfer to repay the Company's debt so as to relieve its funding pressure.

The Group expects to accrue a gain before tax of approximately RMB226,770,635.54 in relation to the disposal, which is calculated based on the consideration for the disposal less the share of the book value of net assets of Transportation Engineering attributed to the Group as at 30 June 2022. The actual gain or loss arising from the Equity Transfer will be recorded by the Company and is subject to the audit of the consolidated financial statements of the Group by the auditors of the Company.

Upon the completion of the Equity Transfer, the Company will no longer hold any interests of the Transportation Engineering and its financial results will no longer be consolidated into the combined financial statements of the Company.

Save as the disclosure above, the Group expects that it will not have any material effect on its earnings, assets or liabilities.

1. RESPONSIBILITY STATEMENT

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

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

3. DIRECTORS AND SUPERVISORS' INTERESTS

Long positions in the Shares, underlying shares and debentures of the Company and associated corporations of the Company:

Name of associated corporation	Name of Director/ Supervisor	Capacity	Number of shares held	Approximate percentage in the relevant class of share capital
Guangdong Provincial Expressway Development Co. Ltd.	Chen Chuxuan	Beneficial owner	5,987	0.00046%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the Supervisors or the chief executives of the Company had any interests or short positions in any Shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) of the Company which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, and so far as was known to the Directors, the following persons (not being any of the Directors, the Supervisors and the chief executives of the Company) had an interest (or long position) or short position 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Class of Shares	Number of Shares/ Underlying Shares held (Note 1)	Capacity	Approximate percentage in the relevant class of share capital	Approximate percentage in the total share capital
GCGC	Domestic Shares	592,847,800	Beneficial owner	100%	74.12%
China Petrochemical Corporation	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
China Petroleum & Chemical Corporation	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
Sinopec Sales Company Limited	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
Sinopec (Hong Kong) Limited	H Shares	33,570,000 (Note 2)	Beneficial owner	16.22%	4.20%
Pope Asset Management, LLC	H Shares	22,896,247	Investment manager	11.06%	2.86%
Shah Capital Management	H Shares	18,035,000	Investment manager	8.71%	2.25%

Note 1: The number of H shares are based on records filed by the Shareholders and/or enquiries made by the Company with the Shareholders, taking into account the issue of bonus shares by the Company in 2015.

Note 2: Sinopec (Hong Kong) Limited is a wholly-owned subsidiary of Sinopec Sales Company Limited and China Petroleum & Chemical Corporation holds approximately 70.42% of equity interests of Sinopec Sales Company Limited while China Petrochemical Corporation holds approximately 68.96% of equity interests of China Petroleum & Chemical Corporation. Accordingly, China Petrochemical Corporation, China Petroleum & Chemical Corporation and Sinopec Sales Company Limited are deemed to be interested in 33,570,000 H shares held by Sinopec (Hong Kong) Limited, respectively.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any persons, other than Directors or Supervisors of the Company, who had interests or short positions in the Shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

5. MATERIAL CONTRACTS

The Company or its subsidiaries did not enter into contracts that are not in the ordinary course of business of the Group and are or may be material during the period commencing two years preceding the date of this circular.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, the Board was aware of the following material litigation involving the Company:

The Company has brought legal proceedings before the Guangzhou Intermediate People's Court against Tangshan Shuihou Steel Rolling Mill No.1 (唐山市稅後軋鋼一廠), Tangshan Xingye Industrial & Trading Group Co., Ltd. (唐山興業工貿集團有限公司) and Tangshan Kaiping District Xingye Steel Rolling Mill (唐山市開平區興業軋製廠) to recover the sum paid in advance by the Company to purchase steel products in the amount of RMB472,397,000 together with compensation for breach of contract. The Company has applied to the court for a charging order against the defendants' assets. The Guangzhou Intermediate People's Court gave its judgment on 7 June 2011, pursuant to which the defendants had to repay the prepayments of the Company with a penalty. On 12 July 2011, the Guangzhou Intermediate People's Court issued a certificate of judgment (《裁判文書生效證明》) to confirm that the relevant ruling became effective on 30 June 2011. The Company has applied to the court for filing and executing the certificate which is currently being executed by the court. The obligor, Tangshan Xingye Industrial & Trading Group Co., Ltd. has filed for bankruptcy petition to Tangshan Kaiping District People's Court due to insolvency, and the court has decided to accept the bankruptcy petition filed by it on 28 February 2014. In March 2015, receiver of Tangshan Xingye Industry & Trade Group Co., Ltd informed the Company that Tangshan Kaiping District People's Court has accepted the merger and bankruptcy case of seven related enterprises including Tangshan Shuihou Steel Rolling Mill No.1, Tangshan Xingye Industrial & Trading Group Co., Ltd. and Tangshan Kaiping District Xingye Steel Rolling Mill. Guangzhou Intermediate People's Court has ruled that the above case filed by it was closed as the parties subject to enforcement were bankrupt enterprises under merger and bankruptcy case in the course of execution of the above case. In 2019, the Company was awarded a total amount of RMB5,301,120.45 in the bankruptcy case. Currently, the merger and bankruptcy case is ongoing. The Company has made full provision for the impairment regarding the above mentioned defaulted prepayment and will continue to strengthen its effort to recover the defaulted prepayment. Currently, the possibility of collecting the related prepayment remains uncertain.

7. DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had entered into, with any member of the Group, a service agreement which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. DIRECTORS AND SUPERVISORS' INTEREST IN COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or Supervisors of the Company or their respective close associates had any interest in a business which competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

9. DIRECTORS AND SUPERVISORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had: (i) any direct or indirect interests in any asset which have been since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; or (ii) any subsisting material interest in any contract or arrangement at the date of this circular which is significant in relation to the business of the Group.

10. EXPERT AND CONSENT

- (a) The following is the qualification of the expert who has been named in this circular or has given opinion, letter or advice contained in this circular:

Name	Qualification
Vinco Financial Limited	a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Guangdong Caixing Asset Evaluation and Land & Real Estate Appraisal Co., Ltd.	independent Valuer

- (b) As at the Latest Practicable Date, none of the above experts had shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

- (c) Each of the above experts has given and has not withdrawn their written consent to the issue of this circular with the inclusion of its report or letter of advice and references to its name in the form and context in which the respectively appear.
- (d) As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Company were made up).
- (e) The letter and recommendation from Vinco Financial and the Asset Valuation Report from the independent Valuer were given as of the date of this circular for incorporation herein.

11. GENERAL

- (a) The registered office of the Company is located at 8th Floor, No. 1731-1735 Airport Road, Guangzhou, the PRC.
- (b) The principal place of business in Hong Kong is located at Rooms 3108-3112, 31/F, Hong Kong Plaza, 188 Connaught Road West, Hong Kong.
- (c) The H Share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Ms. Zhang Li. Ms. Zhang is the chief legal adviser and the manager of the Securities and Legal Department of the Company.
- (e) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

12. DOCUMENTS ON DISPLAY

The Equity Transfer Agreement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.gdyueyun.com>) from the date of this circular for no less than 14 days.

This asset valuation report is prepared in accordance with PRC Asset Valuation Standards

Asset Valuation Report
on
The Value of the Entire Shareholders' Equity of Guangdong Province
Transportation Engineering Company Limited
Involved in the Proposed Equity Transfer by
Guangdong Yueyun Transportation Company Limited

Cai Xing Zi Ping Zi [2022] No. 158

Guangdong Caixing Asset Evaluation and
Land & Real Estate Appraisal Co., Ltd.

30 May 2022

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DISCLAIMER

1. This asset valuation report is prepared in accordance with the Basic Asset Valuation Standards issued by the Ministry of Finance and the Practice Guidelines for Asset Valuation and the Professional Code of Ethics for Asset Valuation issued by the China Appraisal Society.
2. The Clients or other users of the asset valuation report shall use the asset valuation report in accordance with laws and administrative regulations and within the scope of use set out in this asset valuation report. The asset valuation agency and its asset appraisers take no responsibility for any non-compliance with the abovementioned requirements for the use of the asset valuation report by the Clients or other users of the asset valuation report.
3. This asset valuation report shall only be used by the Clients, other users of the asset valuation report as agreed in the Asset Valuation Engagement Contract and users of the asset valuation report as required by laws and administrative regulations. Save as aforesaid, no other institution or individual shall be the user of this report.
4. The users of the asset valuation report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target. The purpose of the asset appraisers to perform the asset valuation is to estimate the value of the valuation target and express professional opinions thereon and the asset appraisers assume no responsibility for the decision-making of the relevant parties.
5. The users of the asset valuation report should be aware of the assumptions as the premise of the valuation conclusion, the explanations on special matters and the restrictions on the use of the asset valuation report. The analyses, judgments and conclusions in the asset valuation report issued are subject to the assumptions and restrictions in the asset valuation report.
6. The valuation agency and its asset appraisers have abided by the principles of independence, objectivity and impartiality and complied with laws, administrative regulations and asset valuation standards, and bear responsibilities for the asset valuation report in accordance with laws.
7. The asset appraisers have conducted on-site inspection on the valuation target specified herein and the assets involved in the asset valuation report.

SUMMARY OF THE ASSET VALUATION REPORT

IMPORTANT

The following content is extracted from the asset valuation report (Cai Xing Zi Ping Zi [2022] No. 158). For details of the valuation project, please refer to the full text of the asset valuation report. The use of this summary alone may lead to misunderstanding of the valuation conclusion.

Guangdong Caixing Asset Evaluation and Land & Real Estate Appraisal Co., Ltd. is jointly engaged by Guangdong Yueyun Transportation Company Limited and Guangdong Litong Development and Investment Co., Ltd. (廣東利通發展投資有限公司) to perform an asset valuation on the value of the entire shareholders' equity of Guangdong Province Transportation Engineering Company Limited and make a fair presentation of its market value as at the valuation benchmark date in accordance with relevant national laws and regulations, asset valuation standards and asset valuation principles, requisite valuation procedures and generally accepted valuation methods and in light of the actual situation of the valuation target.

Clients: Guangdong Yueyun Transportation Company Limited and Guangdong Litong Development and Investment Co., Ltd. (hereinafter referred to as the "Clients").

Appraised entity: Guangdong Province Transportation Engineering Company Limited (hereinafter referred to as the "Transportation Engineering Company").

Purpose of valuation: This asset valuation is jointly entrusted by Guangdong Yueyun Transportation Company Limited and Guangdong Litong Development and Investment Co., Ltd., with an aim to evaluate the entire shareholders' equity of the Transportation Engineering Company involved in the proposed equity transfer by Guangdong Yueyun Transportation Company Limited and provide a reference basis for its market value as at the valuation benchmark date.

According to the "Notice on Promoting the Preliminary Works Concerning Equity Transfer and Other Matters of Guangdong Province Transportation Engineering Company Limited" issued by Guangdong Provincial Communication Group Company Limited on 6 May 2022 (Yue Jiao Ji Tou Han [2022] No. 3), the 100% equity of the Transportation Engineering Company held by Guangdong Yueyun Transportation Company Limited was transferred to Guangdong Litong Development and Investment Co., Ltd. by agreement.

Valuation target: Value of the entire shareholders' equity of the Transportation Engineering Company.

Valuation scope: All the assets and liabilities of the Transportation Engineering Company involved in the valuation as shown in its audited accounts as at 31 December 2021, the valuation benchmark date, including current assets, non-current assets, current liabilities and non-current liabilities. According to the audited financial statements provided by the Clients, the total book value of the assets, liabilities and shareholders' equity of the Transportation Engineering Company is RMB39,858,566.36, RMB50,764,287.16 and RMB-10,905,720.80, respectively.

Type of value: The type of value of this valuation is market value. Market value refers to the estimated value of the valuation target in an arm's length transaction made by the appraised entity in the ordinary course of business at the valuation benchmark date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

Valuation benchmark date: 31 December 2021.

Valuation methods: Asset-based approach and income approach.

Valuation conclusion:

Guangdong Caixing Asset Evaluation and Land & Real Estate Appraisal Co., Ltd. appraised the value of the entire shareholders' equity of the Transportation Engineering Company as at 31 December 2021, the valuation benchmark date, in accordance with relevant national asset valuation regulations, in line with the principles of independence, impartiality and objectivity and in compliance with requisite evaluation procedures. The result based on the asset-based approach is adopted as the valuation conclusion in this valuation, which is as follows:

As at 31 December 2021, the valuation benchmark date, Guangdong Province Transportation Engineering Company Limited had total assets with a book value of RMB39,858,566.36, an appraised value of RMB347,519,913.64 and an appraised appreciation amount of RMB307,661,347.28, an increase of 771.88%; total liabilities with a book value of RMB50,764,287.16 and an appraised value of RMB130,882,756.56; and net assets with a book value of RMB-10,905,720.80, an appraised value of RMB216,637,157.08 and an appraised appreciation amount of RMB227,542,877.88. (For details, please refer to the Table of Summary of Asset Valuation Result and the Verification Schedule of Asset Valuation).

TABLE OF SUMMARY OF ASSET VALUATION RESULT

Valuation benchmark date: 31 December 2021

Appraised entity: Guangdong Province Transportation Engineering Company Limited

Item		Book Value	Appraised Value	Appreciation/Depreciation	Unit: RMB
					Appreciation Rate (%) $D = C / A \times 100\%$
		A	B	C = B - A	
Current assets	1	8,473,183.05	8,473,183.05	0.00	0.00
Non-current assets	2	31,385,383.31	339,046,730.59	307,661,347.28	980.27
Including: Available-for-sale financial assets	3	-	-		
Held to maturity investments	4	-	-		
Long-term receivables	5	-	-		
Long-term equity investment	6	-	-		
Investment properties	7	14,527,274.18	335,001,151.77	320,473,877.59	2,206.02
Fixed assets	8	1,979,546.57	4,045,578.82	2,066,032.25	104.37
Construction in progress	9	14,878,562.56	-	-14,878,562.56	-100.00
Engineer materials	10	-	-		
Fixed assets liquidation	11	-	-		
Productive biological assets	12	-	-		
Oil and gas assets	13	-	-		
Intangible assets	14	-	-		
Development expenditure	15	-	-		
Goodwill	16	-	-		
Long-term deferred expenses	17	-	-		
Deferred tax assets	18	-	-		
Other non-current assets	19	-	-		
Total assets	20	39,858,566.36	347,519,913.64	307,661,347.28	771.88
Current liabilities	21	49,267,332.39	49,267,332.39	0.00	0.00
Including: Other payables	22				
Sum of loan principals and interests of Guangdong Yueyun Transportation Company Limited	23	46,866,700.00	46,866,700.00	0.00	0.00
Non-current liabilities	24	1,496,954.77	81,615,424.17	80,118,469.40	5,352.10
Total liabilities	25	50,764,287.16	130,882,756.56	80,118,469.40	157.82
Net assets (shareholders' equity)	26	-10,905,720.80	216,637,157.08	227,542,877.88	2,086.45

After evaluation, the market value of the entire shareholders' equity of Guangdong Province Transportation Engineering Company Limited as at 31 December 2021, the valuation benchmark date, was RMB216,637,157.08 (In words: Renminbi two hundred and sixteen million six hundred and thirty-seven thousand one hundred and fifty-seven point zero eight).

Validity period of the valuation conclusion: The valuation conclusion disclosed in this report is only valid for the economic behaviors for the valuation purposes listed in this valuation report. Pursuant to the "Practice Guidelines for Asset Valuation – Asset Valuation Report", the validity period of this valuation report is one year from 31 December 2021, the valuation benchmark date (i.e. from 31 December 2021 to 30 December 2022).

Explanations on special matters affecting valuation conclusion:

- (1) According to the "Explanations on the Conditions of a Land Parcel of 23,434.00 Square Meters" provided by the Transportation Engineering Company, the land parcel of 23,434.00 m² held by the Transportation Engineering Company is included in the scope of the Three Olds Redevelopment Plan of Guangzhou with map spot numbers of "44011103285". Users of this report should note that the conclusion of this valuation is based on the premise that the Three Olds Redevelopment Plan (under government purchase model) will be approved.
- (2) Users of this report should note that the approval period for the application of the Three Olds Redevelopment Plan (under government purchase model) set by this valuation is five years.
- (3) According to the "Detailed Regulatory Planning of Baiyun Station and its Surrounding Areas" issued by the Guangzhou Municipal People's Government (Approval No.: Sui Fu Han [2019] No. 193), the regulatory planning usage of the land parcel of 23,434.00 m² held by the Transportation Engineering Company is adjusted from industrial use to commercial, road and greening uses. Users of this report should note that this valuation is based on the adjusted regulatory planning usage of the land parcel.
- (4) According to the "Explanations on the Conditions of a Land Parcel of 23,434.00 Square Meters" provided by the Transportation Engineering Company, the net land area of the land parcel of 23,434.00 m² after the adjustment of detailed regulatory planning is 14,434.00 m², the plot ratio is 4.5, and the gross floor area for calculating plot ratio is 64,964.17 m². Users of this report should note that the conclusion of this valuation is based on the premise that the net land area is 14,434.00 m², the plot ratio is 4.5 and the gross floor area for calculating plot ratio is 64,964.17 m².
- (5) The conclusion of this valuation is to, for the valuation purposes stated in this report, give a reference opinion on the market value of the valuation target as at the valuation benchmark date under the circumstances described in "Explanations on Special Matters" in the valuation report and based on the valuation assumptions and constraints stated in the valuation report. It means that this valuation report and the valuation conclusion

thereof are only for reference and the opinion itself has no enforceable effect. The valuation agency and its asset appraisers bear responsibilities for the rationality of the valuation conclusion only (in line with professional valuation standards), rather than the pricing decision and valuation decision of the appraised entity; and the valuation conclusion is merely the most likely estimated value under the assumptions and constraints stated in this report and should not be regarded as a guarantee for the realizable price of the valuation target.

- (6) Users of this report should note that the value of the entire shareholders' equity in this valuation report does not take into account the impact of liquidity on the appraised value.

The content above is extracted from the valuation report. For details of the valuation project, please refer to the full text of the valuation report.

Cai Xing Zi Ping Zi [2022] No. 158

TEXT OF ASSET VALUATION REPORT

I. INTRODUCTION

To: Guangdong Yueyun Transportation Company Limited and Guangdong Litong Development and Investment Co., Ltd.

Guangdong Caixing Asset Evaluation and Land & Real Estate Appraisal Co., Ltd. (hereinafter referred to as the “Company”) is jointly engaged by Guangdong Yueyun Transportation Company Limited and Guangdong Litong Development and Investment Co., Ltd. to carry out a valuation on the market value of the entire shareholders’ equity of the Transportation Engineering Company as at 31 December 2021 involved in the proposed equity transfer by Guangdong Yueyun Transportation Company Limited and Guangdong Litong Development and Investment Co., Ltd. by using appropriate valuation methods (i.e., asset-based approach and income approach) in accordance with relevant laws and regulations, asset valuation standards, asset valuation principles and requisite valuation procedures, and subject to specific assumptions. The details and results of the valuation are presented as follows:

II. CLIENTS, APPRAISED ENTITY AND OTHER USERS OF THE VALUATION REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT

(I) Clients

Client 1:

Name of company: Guangdong Yueyun Transportation Company Limited

Unified social credit code: 91440000719285123G

Type: joint stock company with limited liability (listed joint venture in Taiwan, Hong Kong, Macau and the PRC)

Address: 8th Floor, No.1731-1735 Airport Road, Baiyun District, Guangzhou

Legal representative: Guo Junfa

Registered capital: RMB799.8478 million

Date of establishment: 28 December 1999

Term of operation: 28 December 1999 to perpetual existence

Scope of Business: inter-provincial passenger transportation coach service, inter-city passenger transportation coach service; inter-provincial passenger transportation chartered coach service, inter-city passenger transportation chartered coach service; development of new and high technologies in the field of transportation; investment in development of transportation network, transportation industry as well as expressway service industry; industrial production materials (do not contain gold, silver and hazardous chemicals), wholesale and retail business of building materials (shall submit for approval separately for new shop setup); cargo transit, sourcing of goods, import and export of various commodities and technologies (including agency services) except those commodities and technologies prohibited from import and export by the state; advertising industry, internet advertising services, other advertising services; retail, wholesale, online sales: primary agricultural products, agricultural by-products, aquatic products, tea, food, health food products, pharmaceuticals, liquor, functional beverages, daily necessities, audio-visual products, publications; aquatic products processing; snacks, Chinese food production and sales; provision of tourism, transportation, accommodation, catering and other agency services (do not involve travel agency business) to tourists; ticket agents for tourists; software development; artificial intelligence application software development; information system integration service; information consulting service (not including licensing information consulting service); data processing and storage support service. (Businesses that require pre-approvals according to laws and regulations can only be carried out after obtaining approvals from relevant authorities.)

Client 2:

Name of company: Guangdong Litong Development and Investment Co., Ltd.

Unified social credit code: 91440000774031126E

Type: limited liability company (sole proprietorship invested or controlled by a non-natural person)

Address: 17th Floor, No. 1-3 Tiyu West Road, Tianhe District, Guangzhou

Legal representative: Huang Yanan

Registered capital: RMB150 million

Date of establishment: 29 April 2005

Term of operation: 29 April 2005 to perpetual existence

Scope of business: permitted items: class II value-added telecommunications business; operation of road passenger transportation stations; retail of refined oil products (do not contain hazardous chemicals); catering services. (Businesses that require pre-approvals according to laws and regulations can only be carried out after obtaining approvals from relevant authorities, and specific operation items shall be subject to the approval documents or permits issued by the relevant authorities) General items: investment activities with self-owned funds; property management; leasing of land use rights; non-residential real estate leasing and housing leasing; real estate consulting; counter and booth leasing; corporate management consulting; commercial complex management services; conference and exhibition services; management services for assets invested with self-owned capital; catering management; marketing and planning; information consulting services (not including permitted information consulting services); corporate management; hotel management; project planning and public relations services; office services; loading, unloading and handling; general cargo warehousing services (not including hazardous chemicals and other items subject to approval); operation of road cargo transportation stations; car park services; sales of petroleum products (do not contain hazardous chemicals); food delivery services. (Except for businesses that require pre-approvals according to laws and regulations, other business activities shall be carried out independently pursuant to law by virtue of business license.)

(II) Appraised entity

1. *Industrial and commercial registration of the appraised entity*

Name: Guangdong Province Transportation Engineering Company Limited

Unified social credit code: 91440000231113213P

Address: 5th Floor, No. 1731, 1733 and 1735 Airport Road, Baiyun District, Guangzhou

Legal representative: Lei Jian

Registered capital: RMB17.04 million

Date of establishment: 27 December 1994

Term of operation: 27 December 1994 to perpetual existence

Type of company: limited liability company (sole proprietorship)

Scope of business: road transportation (please login to the National Enterprise Credit Information Publicity System for inquiries of specific business items, and businesses that require pre-approvals according to laws and regulations can only be carried out after obtaining approvals from relevant authorities.)

2. *Historical evolution*

Guangdong Province Transportation Engineering Company Limited, formerly known as Guangdong Highway Machinery Factory (廣東省公路機械廠), was renamed under the approval of Guangdong Provincial Highway Administration (廣東省公路管理局) on 27 December 1994. Pursuant to the Approval on Agreed Transfer of Guangdong Province Transportation Engineering Company Limited to South China Logistics Enterprise Limited (《關於將廣東省交通工程有限公司協議轉讓給南粵物流股份有限公司的批覆》) (Yue Guo Zi Han [2011] No. 41) issued by Guangdong SASAC and the Reply to Agreed Acquisition of Guangdong Province Transportation Engineering Company Limited (《關於協議收購廣東省交通工程有限公司的覆函》) (Yue Jiao Ji Tou [2011] No. 10) issued by Guangdong Provincial Communication Group, the Transportation Engineering Company is a wholly-owned subsidiary of Guangdong South China Logistics Enterprise Limited. On 5 August 2013, Guangdong South China Logistics Enterprise Limited was renamed as Guangdong Yueyun Transportation Company Limited.

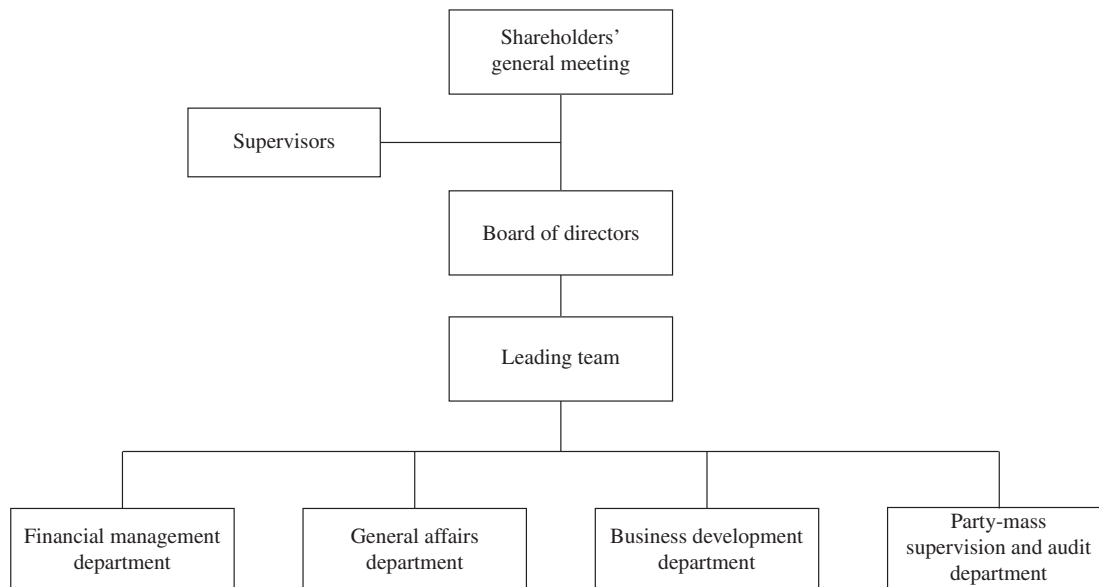
3. *Shareholding structure*

- (1) As of the valuation benchmark date, the shareholders, registered capital, paid-in registered capital and shareholders' shareholding percentage of the Transportation Engineering Company are shown in the following table:

Unit: RMB0'000

No.	Name of Investor (Shareholder)	Registered Capital		Paid-in Registered Capital	
		Amount	Percentage of Contribution	Amount	Percentage of Contribution
1	Guangdong Yueyun Transportation Company Limited	1,704	100%	1,704	100%

- (2) As of the valuation benchmark date, the management organizational chart of the Transportation Engineering Company is as follows:



4. Operations of the appraised entity

The principal business of the Transportation Engineering Company is road transportation, which was closed in 2003. At present, the Transportation Engineering Company is principally engaged in the leasing and property management for a park property located at No. 315 Guanghai 5th Road, Baiyun District. The park has a total land area of 24,313.68 sq.m. and a total gross floor area of 22,276.02 sq.m., the current occupancy rate of which is approximately 83%.

5. Employees of the appraised entity

The Transportation Engineering Company currently has four departments, namely business development department, general affairs department, financial management department and party-mass discipline inspection department, with a total of 25 employees including 2 leading team members, 1 full-time director, 5 department principals, 4 department deputies, 2 supervisors, 1 deputy supervisor, 3 staff members, 6 property and production personnel and 1 retired personnel re-employed.

6. Key financial indicators of the appraised entity for 2018 to 2021

(1) Balance sheet data

Item	Line No.	Unit: RMB				
		31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021
Current assets:	1					
Cash at bank and on hand	2	566,359.52	86,382.73	150,778.81	18,794.02	9,394.02
Trading financial assets	3					
Derivative financial assets	4					
Bills receivable	5					
Accounts receivable	6					
Receivables financing	7					
Prepayments	8					
Centralised deposits	9	3,415,809.97	5,980,763.12	7,313,439.80	7,097,439.29	8,422,800.07
Other receivables	10	87,854.00	169,962.41	90,571.59	69,017.37	25,239.89
Inventories	11					
Contract assets	12					
Assets held for sale	13					
Non-current assets due within one year	14					
Other current assets	15					15,749.07
Total current assets	16	4,070,023.49	6,237,108.26	7,554,790.20	7,185,250.68	8,473,183.05

Unit: RMB

Item	Line No.	31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021
Non-current assets:	17					
Debt investments	18					
Other debt investments	19					
Long-term receivables	20					
Long-term equity investments	21					
Investments in other equity instruments	22					
Other non-current financial assets	23					
Investment properties	24	18,186,211.27	17,268,611.78	16,351,012.31	15,437,635.28	14,527,274.18
Fixed assets	25	2,300,539.89	2,169,259.65	2,259,465.16	2,108,160.34	1,979,546.57
Construction in progress	26	14,878,562.56	14,878,562.56	14,878,562.56	14,878,562.56	14,878,562.56
Productive biological assets	27					
Oil and gas assets	28					
Right-of-use assets	29					
Intangible assets	30					
Development expenditure	31					
Goodwill	32					
Long-term deferred expenses	33					
Deferred tax assets	34					
Other non-current assets	35					
Total non-current assets	36	35,365,313.72	34,316,433.99	33,489,040.03	32,424,358.18	31,385,383.31
Total assets	37	39,435,337.21	40,553,542.25	41,043,830.23	39,609,608.86	39,858,566.36

Item	Line No.	<i>Unit: RMB</i>				
		31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021
Current liabilities:	38					
Short-term loans	39	7,500,000.00				
Trading financial liabilities	40					
Derivative financial liabilities	41					
Bills payable	42					
Accounts payable	43		921,457.45	892,614.12	586,357.08	75,774.75
Advances from customers	44	284,225.94	326,201.93	397,400.08	384,085.16	195,046.10
Contract liabilities	45					
Employee benefits payable	46	582,575.95	579,272.83	875,446.89	451,830.92	337,613.00
Taxes payable	47	869,196.03	312,500.57	132,637.82	242,071.03	463,133.22
Total other payables	48	41,710,448.81	49,557,959.28	49,285,267.84	48,583,857.87	48,195,765.32
Liabilities held for sale	49					
Non-current liabilities due within one year	50					
Other current liabilities	51					
Total current liabilities	52	50,946,446.73	51,697,392.06	51,583,366.75	50,248,202.06	49,267,332.39

Item	Line No.	<i>Unit: RMB</i>				
		31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021
Non-current liabilities:	53					
Long-term loans	54					
Bonds payable	55					
Including: Preferred shares	56					
Perpetual bonds	57					
Lease liabilities	58					
Long-term payables	59					
Long-term employee benefits payable	60	2,571,151.62	2,313,625.72	1,996,153.84	1,466,502.99	1,496,954.77
Provision	61					
Deferred income	62					
Deferred tax liabilities	63					
Other non-current liabilities	64					
Total non-current liabilities	65	2,571,151.62	2,313,625.72	1,996,153.84	1,466,502.99	1,496,954.77
Total liabilities	66	53,517,598.35	54,011,017.78	53,579,520.59	51,714,705.05	50,764,287.16
Shareholders' equity:	67					
Paid-in capital (share capital)	68	17,040,000.00	17,040,000.00	17,040,000.00	17,040,000.00	17,040,000.00
Other equity instruments	69					
Including: Preferred shares	70					
Perpetual bonds	71					
Capital reserve	72	28,145,262.81	28,145,262.81	28,145,262.81	28,145,262.81	28,145,262.81
Less: treasury shares	73					
Other comprehensive income	74					39,781.98
Specific reserve	75					
Surplus reserve	76	2,478,088.86	2,478,088.86	2,478,088.86	2,478,088.86	2,478,088.86
Retained earnings	77	-61,745,612.81	-61,120,827.20	-60,199,042.03	-59,768,447.86	-58,608,854.45
Total shareholders' equity	78	-14,082,261.14	-13,457,475.53	-12,535,690.36	-12,105,096.19	-10,905,720.80
Total liabilities and shareholders' equity	79	39,435,337.21	40,553,542.25	41,043,830.23	39,609,608.86	39,858,566.36

(2) *Income statement data*

Unit: RMB

Item	Line No.	2018	2019	2020	2021
I. Operating income	1	14,322,653.54	14,446,209.68	14,826,648.76	14,881,367.93
Of which: Income from principal businesses	2				
Other operating income	3				
Less: operating cost	4	7,304,172.67	7,048,452.89	7,852,601.50	6,962,098.37
Of which: cost of principal businesses	5				
Other operating costs	6				
Taxes and surcharges	7	1,168,131.31	1,326,637.80	1,067,892.09	1,330,282.72
Sales expense	8	661,340.47	540,221.63	495,954.63	582,502.76
Management expense	9	3,703,498.16	4,044,659.52	4,341,146.21	4,466,943.81
R&D expense	10				
Financial expense	11	472,607.88	497,364.62	375,581.01	295,035.65
Of which: interest expense	12	478,032.94	323,893.74	286,540.26	237,586.08
Interest income	13	16,452.85	21,849.00	27,448.90	27,333.40
Plus: other incomes	14			13,736.90	62,595.88
Investment income (losses are shown with "-")	15				
Of which: income from investment in associates and joint ventures	16				
Gains from de-recognition of financial assets measured at amortized cost	17				
Net exposure hedging gains (losses are shown with "-")	18				
Gains from changes in fair value (losses are shown with "-")	19				
Credit impairment loss (losses are shown with "-")	20	4,030.30	3,940.14	-79.00	-630.84
Asset impairment loss (losses are shown with "-")	21				
Asset disposal income (losses are shown with "-")	22		45,925.94		
II. Operating profit (losses are shown with "-")	23	1,008,872.75	1,038,739.30	707,131.22	1,306,469.66
Plus: non-operating income	24	33,268.05	7,657.62	0.02	
Of which: subsidy income	25				
Less: non-operating expense	26	7,026.03	2,891.43	62,220.18	
III. Total profit (total losses are shown with "-")	27	1,035,114.77	1,043,505.49	644,911.06	1,306,469.66
Less: income tax expense	28	410,329.16	121,720.32	214,316.89	143,398.97
IV. Net profit (net losses are shown with "-")	29	624,785.61	921,785.17	430,594.17	1,163,070.69

(3) Operating Cashflow Information

Unit: RMB

Item	Line No.	2018	2019	2020	2021
I. Cash flows from operating activities:	1				
Cash received from sales of goods and rendering of services	2	15,305,500.79	15,434,369.17	15,740,871.23	16,216,286.82
Tax refund received	3				
Other cash received in respect of operating activities	4	14,949.89	375.06	36,794.06	39,158.58
Subtotal of cash inflows from operating activities	5	15,320,450.68	15,434,744.23	15,777,665.29	16,255,445.40
Cash paid for purchasing goods and accepting labor services	6	3,788,942.35	4,296,398.37	5,404,044.94	4,587,455.89
Cash paid to and for employees	7	6,059,227.93	5,698,446.90	6,346,216.93	6,482,578.92
Taxes paid	8	2,655,531.40	2,244,346.68	1,976,167.38	2,033,160.81
Other cash paid in respect of operating activities	9	368,170.12	767,354.62	1,276,527.17	1,079,586.34
Subtotal of cash outflows from operating activities	10	12,871,871.80	13,006,546.57	15,002,956.42	14,182,781.96
Net cash flow from operating activities	11	2,448,578.88	2,428,197.66	774,708.87	2,072,663.44
II. Cash flow from investing activities:	12				
Cash received from withdrawal of investment	13				
Cash received from investment income	14				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	15	19,466.72	60,788.81		
Net cash received from disposal of subsidiaries and other business entities	16				
Other cash received in respect of investing activities	17	15,304.29	21,474.18	243,329.70	
Subtotal of cash inflows from investing activities	18	34,771.01	82,262.99	243,329.70	-
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	19	62,938.11	261,400.40	363,483.10	46,449.98
Cash paid for investment	20				

Unit: RMB

Item	Line No.	2018	2019	2020	2021
Net cash paid for acquisition of subsidiaries and other business entities	21				
Other cash paid in respect of investing activities	22	2,564,953.15	1,332,676.68		1,298,027.38
Subtotal of cash outflows from investing activities	23	2,627,891.26	1,594,077.08	363,483.10	1,344,477.36
Net cash flows from investing activities	24	-2,593,120.25	-1,511,814.09	-120,153.40	-1,344,477.36
III. Cash flows from financing activities:	25				
Cash from receipt of investments	26				
Cash from receipt of borrowings	27	7,500,000.00			
Other cash received in respect of financing activities	28				
Subtotal of cash inflows from financing activities	29	7,500,000.00			
Cash paid for debt repayment	30	7,500,000.00	500,000.00	500,000.00	500,000.00
Cash paid for distribution of dividends or profits, or payment of interest	31	335,435.42	351,987.49	286,540.26	237,586.08
Other cash paid in respect of financing activities	32				
Subtotal of cash outflows from financing activities	33	7,835,435.42	851,987.49	786,540.26	737,586.08
Net cash flow from financing activities	34	-335,435.42	-851,987.49	-786,540.26	-737,586.08
IV. Impact of exchange rate changes on cash and cash equivalents	35				
V. Net increase in cash and cash equivalents	36	-479,976.79	64,396.08	-131,984.79	-9,400.00
Plus: balance of cash and cash equivalents at the beginning of the period	37	566,359.52	86,382.73	150,778.81	18,794.02
VI. Balance of cash and cash equivalents at the end of the period	38	86,382.73	150,778.81	18,794.02	9,394.02

Remarks: The data for 2018, 2019 and 2020 are extracted from the annual audit reports issued by KPMG Huazhen LLP (Reports No.: KPMG Huazhen Sui Shen Zi No. 1900192, KPMG Huazhen Sui Shen Zi No. 2000227 and KPMG Huazhen Sui Shen Zi No. 2100137). For the data for 2021, BDO China Shu Lun Pan Certified Public Accountants LLP, Guangdong Branch, has issued an annual audit report (Xin Kuai Shi Yue Bao Zi [2022] No. 20133), and Guangdong Hongjian Accountant Office Co., Ltd. has issued the “Special Audit Report on Asset and Capital Verification of the Transportation Engineering Company” (GDHJ [2022] No. 5002F) simultaneously. The above audit reports contain no qualified opinion.

(III) Relationship between the Clients and the appraised entity

Guangdong Yueyun Transportation Co., Ltd., the Client, is the shareholder holding the 100% equity interests in the Transportation Engineering Company. Guangdong Litong Development and Investment Co., Ltd. (廣東利通發展投資有限公司) is the intended acquirer of this equity transfer.

(IV) Other users of the asset valuation report other than the Clients

Other users of the asset valuation report other than the Clients include the appraised entity, the state-owned asset administrative departments, the state-owned asset administrative departments at all levels involved for this asset valuation purpose, and the industrial and commercial administrative departments and other users of the asset valuation report stipulated by national laws and regulations.

For the Clients or other users of the asset valuation report who do not use the asset valuation report as required by the laws and administrative regulations and within the scope of use set out in the asset valuation report, the asset valuation agency and its asset valuation professionals do not assume any responsibility; except for the Clients, other users of the asset valuation report agreed upon in the asset entrusting contract and the users of the asset valuation report stipulated by the laws and administrative regulations, no other institution or individual can become the user of the asset valuation report.

III. PURPOSE OF VALUATION

This asset valuation is jointly entrusted by Guangdong Yueyun Transportation Company Limited and Guangdong Litong Development and Investment Co., Ltd., with an aim to evaluate the entire shareholders' equity of the Transportation Engineering Company for the proposed equity transfer between the two parties and provide a reference basis for its market value as at the valuation benchmark date.

According to the "Notice on Promoting the Preliminary Works Concerning Equity Transfer and Other Matters of Guangdong Province Transportation Engineering Company Limited" issued by Guangdong Provincial Communication Group Company Limited on 6 May 2022 (Yue Jiao Ji Tou Han [2022] No. 3), the 100% equity of the Transportation Engineering Company held by Guangdong Yueyun Transportation Company Limited was transferred to Guangdong Litong Development and Investment Co., Ltd. by agreement.

IV. VALUATION TARGET AND SCOPE**(I) Valuation Target:**

The valuation target is the value of the entire shareholders' equity of the Transportation Engineering Company as at 31 December 2021.

(II) Valuation Scope:

The valuation scope includes all the assets and liabilities of the Transportation Engineering Company involved in the valuation as shown in its audited accounts as at 31 December 2021, the valuation benchmark date, including current assets, non-current assets, current liabilities and non-current liabilities.

Description of major assets and liabilities:

1. The carrying amount of current assets amounted to RMB8,473,183.05, among which:
 - (1) The carrying amount of cash at bank and on hand amounted to RMB8,432,194.09, including cash of RMB9,394.02 and centralised deposits of RMB8,422,800.07.
 - (2) The carrying amount of other accounts receivable amounted to RMB25,239.89, which represent current payments, fixed line network fee and advance expenses for utilities.
 - (3) The carrying amount of other current assets amounted to RMB15,749.07, which represent deductible input VAT.
2. The carrying amount of non-current assets amounted to RMB31,385,383.31, among which:
 - (1) The carrying amount of investment properties amounted to RMB14,527,274.18, which represent the property and land use rights located at compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District.
 - (2) The original carrying amount and net carrying amount of fixed assets amounted to RMB5,622,225.11 and RMB1,979,546.57 respectively, which represent buildings and structures, machinery and equipment, vehicles and electronic equipment etc.
 - (3) The carrying amount of construction in progress amounted to RMB14,878,562.56, which mainly represented labor fees, survey and design fees and research fees in “three old” transformation projects before 2015.
3. The carrying amount of current liabilities amounted to RMB49,267,332.39, among which:
 - (1) The carrying amount of accounts payable amounted to RMB75,774.75, which represent repairing expenses payable.
 - (2) The carrying amount of receipts in advance amounted to RMB195,046.10, which represent rental received in advance and parking fees.

- (3) The carrying amount of employee benefits payable amounted to RMB337,613.00, which represent labor union fees payable and post-employment benefit due within one year.
- (4) The carrying amount of taxes payable amounted to RMB463,133.22, which represent corporate income tax and property tax payable.
- (5) The carrying amount of other payables amounted to RMB48,195,765.32, which mainly represent quality warranty funds of works and lease deposits.
4. The carrying amount of non-current liabilities amounted to RMB1,496,954.77, among which:
- (1) The carrying amount of long-term employee benefits payable amounted to RMB1,496,954.77, which represent post-employment benefits.
- (2) The carrying amount of deferred income tax liabilities amounted to RMB0.

The details are as follows:

The balance sheet of the Transportation Engineering Company as at
31 December 2021

Item	31 December 2021	Item	<i>Unit: RMB</i> 31 December 2021
Current assets:		Current liabilities:	
Cash at bank and on hand	9,394.02	Short-term loans	
Trading financial assets		Trading financial liabilities	
Derivative financial assets		Derivative financial liabilities	
Bills receivable		Bills payable	
Accounts receivable		Accounts payable	75,774.75
Receivables financing		Receipts in advance	195,046.10
Prepayments		Contract liabilities	–
Centralised deposits	8,422,800.07	Employee benefits payable	337,613.00
Other receivables	25,239.89	Taxes payable	463,133.22
Inventories		Total other payables	48,195,765.32
Contract assets		Liabilities held for sale	
Assets held for sale		Non-current liabilities due within one year	
Non-current assets due within one year		Other current liabilities	
Other current assets	15,749.07	Total current liabilities	49,267,332.39

Item	31 December 2021	Item	<i>Unit: RMB</i> 31 December 2021
Total current assets	8,473,183.05	Non-current liabilities:	
Non-current assets:		Long-term loans	
Debt investments		Bonds payable	
Other debt investments		Including: Preferred shares	
Long-term receivables		Perpetual bonds	
Long-term equity investment		Lease liabilities	
Investments in other equity instruments		Long-term payable	
Other non-current financial assets		Long-term employee benefits payable	1,496,954.77
Investment properties	14,527,274.18	Provision	
Fixed assets	1,979,546.57	Deferred income	
Construction in progress	14,878,562.56	Deferred tax liabilities	
Productive biological assets		Other non-current liabilities	
Oil and gas assets		Total non-current liabilities	1,496,954.77
Right-of-use assets		Total liabilities	50,764,287.16
Intangible assets		Owner's equity (or shareholders' equity):	
Development expenditure		Paid-in capital (share capital)	17,040,000.00
Goodwill		Other equity instruments	
Long-term deferred expenses		Including: Preferred shares	
Deferred tax assets		Perpetual bonds	
Other non-current assets		Capital reserve	28,145,262.81
		Less: treasury shares	
		Other comprehensive income	39,781.98
		Specific reserve	
		Surplus reserve	2,478,088.86
		Retained earnings	-58,608,854.45
Total non-current assets	31,385,383.31	Total owner's equity	-10,905,720.80
Total assets	39,858,566.36	Total liabilities and shareholders' equity	39,858,566.36

The income statement of the Transportation Engineering Company as at
31 December 2021

Unit: RMB

Item	Line No.	December 2021
I. Operating income	1	14,881,367.93
Of which: Income from principal businesses	2	
Other operating income	3	
Less: operating cost	4	6,962,098.37
Of which: Cost of principal businesses	5	
Other operating costs	6	
Taxes and surcharges	7	1,330,282.72
Sales expense	8	582,502.76
Management expense	9	4,466,943.81
R&D expense	10	
Financial expense	11	295,035.65
Of which: Interest expense	12	237,586.08
Interest income	13	27,333.40
Plus: other incomes	14	62,595.88
Investment income (losses are shown with “-”)	15	
Of which: Income from investment in associates and joint ventures	16	
Gains from de-recognition of financial assets measured at amortized cost	17	
Net exposure hedging gains (losses are shown with “-”)	18	
Gains from changes in fair value (losses are shown with “-”)	19	
Credit impairment loss (losses are shown with “-”)	20	-630.84
Asset impairment loss (losses are shown with “-”)	21	
Asset disposal income (losses are shown with “-”)	22	
II. Operating profit (losses are shown with “-”)	23	1,306,469.66
Plus: non-operating income	24	
Of which: subsidy income	25	
Less: non-operating expense	26	
III. Total profit (total losses are shown with “-”)	27	1,306,469.66
Less: income tax expense	28	143,398.97
IV. Net profit (net losses are shown with “-”)	29	1,163,070.69
Less: *Profit and loss attributable to minority interests	30	

Cash flows Statement of the Transportation Engineering Company as at
31 December 2021

Item	Line No.	<i>Unit: RMB</i> 2021
I. Cash flows from operating activities:	1	
Cash received from sales of goods and rendering of services	2	16,216,286.82
Tax refund received	3	
Other cash received in respect of operating activities	4	39,158.58
Subtotal of cash inflows from operating activities	5	16,255,445.40
Cash paid for purchasing goods and accepting labor services	6	4,587,455.89
Cash paid to and for employees	7	6,482,578.92
Taxes paid	8	2,033,160.81
Other cash paid in respect of operating activities	9	1,079,586.34
Subtotal of cash outflows from operating activities	10	14,182,781.96
Net cash flows from operating activities	11	2,072,663.44
II. Cash flows from investing activities:	12	
Cash received from withdrawal of investment	13	
Cash received from investment income	14	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	15	
Net cash received from disposal of subsidiaries and other business entities	16	
Other cash received in respect of investing activities	17	
Subtotal of cash inflows from investing activities	18	-
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	19	46,449.98
Cash paid for investment	20	
Net cash paid for acquisition of subsidiaries and other business entities	21	
Other cash paid in respect of investing activities	22	1,298,027.38
Subtotal of cash outflows from investing activities	23	1,344,477.36
Net cash flows from investing activities	24	-1,344,477.36
III. Cash flows from financing activities:	25	
Cash from receipt of investments	26	
Cash from receipt of borrowings	27	
Other cash received in respect of financing activities	28	
Subtotal of cash inflows from financing activities	29	
Cash paid for debt repayment	30	500,000.00
Cash paid for distribution of dividends or profits, or payment of interest	31	237,586.08
Other cash paid in respect of financing activities	32	
Subtotal of cash outflows from financing activities	33	737,586.08
Net cash flows from financing activities	34	-737,586.08
IV. Impact of exchange rate changes on cash and cash equivalents	35	
V. Net increase in cash and cash equivalents	36	-9,400.00
Plus: balance of cash and cash equivalents at the beginning of the period	37	18,794.02
VI. Balance of cash and cash equivalents at the end of the period	38	9,394.02

Remarks: For the above data, BDO China Shu Lun Pan Certified Public Accountants LLP, Guangdong Branch, has issued an annual audit report (Xin Kuai Shi Yue Bao Zi [2022] No. 20133), and Guangdong Hongjian Accountant Office Co., Ltd. has issued the “Special Audit Report on Asset and Capital Verification of Guangdong Province Transportation Engineering Company Limited” (GDHJ [2022] No. 5002F) simultaneously. Valuation scope is consistent with content set forth in the above financial statements as well as the valuation scope involved in the economic activity.

(III) Layout and Characteristics of Major Assets

1. Current assets: The major assets of the enterprises currently represent cash at bank and on hand, other receivables and other current assets.

Cash at bank and on hand represents cash and centralised deposits; other receivables represent current payments, fixed line network fee and advance expenses for utilities; other current assets represent deductible input VAT.

2. Non-current assets: The major non-current assets of the enterprises currently represent investment properties, fixed assets and construction in progress, among which:

(1) *Investment properties*

Investment properties mainly represent investment properties and investment land, which represent the buildings and structures and land use rights located at compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District.

① *Investment properties – buildings*

The original carrying amount and net carrying amount of investment properties-housings amounted to RMB23,687,668.54 and RMB6,267,642.21 respectively, which represent 28 items such as plant, warehouse and building located at compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District with a total area of 35,487.81 sq.m., among which 2 items are structures, 4 items are improvements expenses and renovation of facilities and 22 items are buildings and structures.

①-1. Ownership status

As explained by the valuation target, except for item 17 that has obtained ownership certificate, the remaining buildings have not obtained property ownership certificates, whose basic information is as follows:

No.	Ownership certificate No.	Name of building	Address	Structure	Date of completion	Gross floor area (m ²)
1	Nil	Printing workshop (warehouse No. 5)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Level 3 of reinforced concrete structure	1992-01-01	972.30
2	Nil	Printing workshop expansion	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District		1996-05-31	403.34
3	Nil	Reflective workshop (the same building as printing workshop)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District		1992-01-01	430.80
4	Nil	Warehouse (the same building as electric printing)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District		1992-01-01	252.00
5	Nil	Warehouse (the same building as printing workshop)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District		1992-01-01	887.40
6	Nil	Assembly workshop (warehouse No. 2)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Level 1 of reinforced concrete structure	1986-01-01	1,052.25
7	Nil	Machine workshop (warehouse No. 4)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Level 1 of reinforced concrete structure	1981-01-01	1,664.43
8	Nil	Cold welding workshop (warehouse No. 6, 9)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Level 1 of reinforced concrete structure	1976-01-01	1,474.50
9	Nil	Electrician's workshop	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Dismantled	1975-01-01	265.70

No.	Ownership certificate No.	Name of building	Address	Structure	Date of completion	Gross floor area (m ²)
10	Nil	Hardware workshop (warehouse No. 10)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Level 1 of reinforced concrete structure	1984-01-02	294.00
11	Nil	Blacksmith workshop (warehouse No. 11)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Level 1 of reinforced concrete structure	1972-01-24	753.63
12	Nil	Crash barrier workshop (warehouse No. 1)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Level 1 of reinforced concrete structure	1994-01-24	906.75
13	Nil	Electricity room (substation)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Level 1 of reinforced concrete structure	1992-01-01	86.25
14	Nil	Boundary wall	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District		1983-01-24	710.60
15	Nil	Cemented road	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District		1983-01-24	14,309.10
16	Nil	Inspection line workshop (warehouse No. 3)	At compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Level 1 of reinforced concrete structure	1992-01-01	799.25
17	Yue Fang Di Zheng Zi Di No. C3293591, No. C3290133, No. C3290134, No. C3290135, No. C3290136, No. C3290137, No. C3290138, No. C3290139	Complex (including elevators)	The first floor, the second floor, the third floor, the fourth floor, the fifth floor, the sixth floor, the seventh floor and the eighth floor of No. 1731, 1733 and 1735 Airport Road, Baiyun District	Level 8 of reinforced concrete structure	2004-05-03	7,448.35
18	Nil	Warehouse of 3 storeys (Warehouse No. 7)	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District	Steel-concrete structure of 3 storeys	2003-05-24	917.00

No.	Ownership certificate No.	Name of building	Address	Structure	Date of completion	Gross floor area (m ²)
19	Nil	Canteen, assembly hall (1st and 2nd floor)	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District	Steel-concrete structure of 3 storeys	1983-01-24	867.00
20	Nil	Reception center (3rd floor)	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District		1983-01-24	433.50
21	Nil	Power room	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District	Brick structure of 1 storey	2011-12-28	90.15
22	Nil	Fire center	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District	Steel-concrete structure of 1 storey	2011-12-28	148.68
23	Nil	Gas station office	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District	Steel-concrete structure of 1 storey	2011-12-28	91.00
24	Nil	Temporary shop	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District	Steel-concrete structure of 1 storey	2011-12-28	229.83
25	Nil	Building improvements (Asian Games project)	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District		2010-06-30	
26	Nil	Simple freight elevator	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District		2000-08-01	
27	Nil	Power upgrading facilities of the company	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District		2005-04-01	
28	Nil	Permanent utility upgrading facilities of the dormitory	The compound at No. 1731, 1733 and 1735 Airport Road, Baiyuan District		2005-06-01	
			Total			35,487.81

Items 1-13 and 16-24 in the above table are buildings and structures, of which Item 9 has been demolished, and the certificates have not been obtained as of the valuation benchmark date.

Item 17 above is a composite building, with total floor area of 7,448 m², for which eight Real Estate Ownership Certificates have been obtained. Its property owner is the Transportation Engineering Company. It is for non-residential use, including shopping mall at the 1st floor, bicycle room, parking lot, shopping malls at the 2nd and 3rd floor and office at the 4th floor and above. The premium for the transfer of state-owned land use rights has been paid for the land, and the tenure is 40 and 50 years from August 20, 2004, respectively.

Items 25-28 in the above table are improvements expenses and renovation of facilities.

According to the appraised entity, the buildings and structures are not subject to mortgage or seizure.

①-2. Status

Items 1-13 and 16-24 in the above table are buildings and structures for the use of workshops, warehouses, duty rooms, etc. Except Item 9 which has been demolished, most of them were steel-concrete structures built in the 1970s and 1980s, have been rented out, and are under general maintenance in terms of the appearance.

①-3. Leasing condition

Most of the valuation targets have been leased out as at the valuation benchmark date, and the occupancy rate is about 83%. For details, please see the following table:

No.	Usage	Lessees	Name/Location of properties	Tenure	Lease area (m ²)
1	Office and supporting facilities	Guangdong Top-E Expressway Service Zone Company Limited* (廣東通驛高速公路服務區有限公司)	Composite building etc.	2021-01-01 to 2023-12-31	6,121.00

No.	Usage	Lessees	Name/Location of properties	Tenure	Lease area (m ²)
2	Office and supporting facilities	Guangdong Tongyi Landscape Co., Ltd.* (廣東通驛園林綠化有限公司)	Composite building	2021-01-01 to 2023-12-31	298.00
3	Office and supporting facilities	Guangdong Zhong Yue Tong Oil Products Operation Co., Ltd.* (廣東中粵通油品經營有限公司)	Composite building etc.	2020-02-01 to 2023-12-31	567.00
4	Office and supporting facilities	Guangdong South China Logistics Enterprise Co., Ltd.* (廣東南粵物流實業有限公司)	Composite building etc.	2021-01-01 to 2023-12-31	2,127.00
5	Office and supporting facilities	Guangdong Xinyue Communications Investment Company Limited* (廣東新粵交通投資有限公司)	Composite building etc.	2022-01-01 to 2026-03-31	200.00
6	Office and supporting facilities	Guangdong Yueyun Traffic Rescue Co., Ltd.* (廣東粵運交通拯救有限公司)	Office part of Warehouse No. 5	2022-01-01 to 2024-12-31	550.00
7	Office and supporting facilities	Guangzhou Zhenghang Power Engineering Co., Ltd.* (廣州正航電力工程有限公司)	Building No. 5	2022-01-01 to 2024-12-31	2,771.00

No.	Usage	Lessees	Name/Location of properties	Tenure	Lease area (m ²)
8	Office and supporting facilities	Guangzhou Xingxin Traffic Facilities Technology Service Co., Ltd.* (廣州市興新交通設施技術服務有限公司)	Part of Warehouse No. 4	2021-09-01 to 2023-08-31	71.00
9	Operation	Guangzhou Jiesheng Culture Communications Company Limited* (廣州傑勝文化傳播有限公司)	Part of Warehouse No. 4	2022-01-01 to 2024-12-31	1,020.00
10	Warehousing	Rong Wenyang (容文洋)	Part of Warehouse No. 4	2021-01-01 to 2022-12-31	140.00
11	Warehousing	Guangzhou Yuebao Construction Materials Co., Ltd.* (廣州市粵實建材有限公司)	Part of Warehouse No. 4	2020-07-01 to 2023-06-30	80.00
12	Office and supporting facilities	Guangzhou Baoxin Civil Engineering Technology Service Co., Ltd.* (廣州市寶新土木工程技術有限公司)	Part of basement 1/F of the fund-raising building	2021-09-01 to 2022-12-31	80.00
13	Office and supporting facilities	Guang Dong Chenggui Construction Supervision Co., Ltd.* (廣東省城規建設監理有限公司)	Part of Warehouse No. 2	2022-01-01 to 2023-12-31	21.00

No.	Usage	Lessees	Name/Location of properties	Tenure	Lease area (m ²)
14	Office and supporting facilities	Guangzhou Xinbaiyi Technology Co., Ltd.* (廣州市心百翼科技有限公司)	Part of Warehouse No. 3	2020-07-15 to 2023-06-14	135.00
15	Office and supporting facilities	Guangdong Shengshi Advertising Media Co., Ltd.* (廣東盛世廣告傳媒有限公司)	Part of Warehouse No. 3	2022-01-01 to 2024-12-31	87.00
16	Office and supporting facilities	Guangdong Guoao Property Service Co., Ltd.* (廣東國奧物業服務有限公司)	Part of Warehouse No. 3	2021-08-01 to 2024-07-31	78.00
17	Office and supporting facilities	Guang Dong Yunshang Shibaidao Development Co., Ltd.* (廣東雲尚十八道發展有限公司)	Part of Warehouse No. 3	2021-09-01 to 2023-08-31	83.00
18	Operation	Guangdong Huirui Sports Co., Ltd.* (廣州輝銳體育運動有限公司)	Part of Warehouse No. 1	2022-01-01 to 2022-12-31	900.00
19	Warehousing	Guangzhou Qixin Trading Co., Ltd.* (廣州市齊鑫貿易有限公司)	Part of Warehouse No. 1	2022-01-01 to 2024-12-31	390.00
20	Operation	Guangzhou Chezhimei Automobile Service Co., Ltd.* (廣州市車致美汽車服務有限公司)	Previous gas station office	2021-01-01 to 2022-12-31	75.00

No.	Usage	Lessees	Name/Location of properties	Tenure	Lease area (m ²)
21	Warehousing	Chen Jianguo (陳建國)	Warehouse No. 6	2021-01-01 to 2022-12-31	700.00
22	Warehousing	Chen Xiaochun (陳曉春)	Warehouse No. 9	2021-01-01 to 2022-12-31	700.00
23	Warehousing	Chen Junyang (陳俊陽)	Warehouse No. 6 and No. 9	2022-01-01 to 2024-12-31	88.00
24	Warehousing	Chen Jiansong (陳建松)	Warehouse No. 8	2021-01-01 to 2022-12-31	320.00
25	Warehousing	Zhu Qingqiang (朱慶強)	Warehouse No. 11	2021-01-01 to 2022-12-31	648.00
26	Warehousing	Guangzhou Dongqing Technology Research Co., Ltd.* (廣州東 圍技術研究有 限公司)		2022-01-01 to 2024-12-31	50.00
27	Warehousing	Guangzhou Yingfu Refrigerating Equipment Maintenance Co., Ltd.* (廣 州盈富製冷設 備維修有限公 司)	Single-storey house	2022-01-01 to 2024-12-31	20.00
28	Warehousing	Luo Guohua (羅國華)		2022-01-01 to 2024-12-31	15.00
Total					18,335.00

* For identification purposes only

② Investment properties – land

In respect of the investment properties, the book value of land is RMB8,259,631.97, and there are 2 land use rights, of which one is an industrial land located at No. 315 Guanghua 5th Road, Baiyun District, with an area of 23,434 m²; another is an industrial land, i.e. Lot 275 at Guanghua Road, located the west side of the Provincial Highway Machinery Factory and the west of Guanghua Road, Baiyun District, with a land area of 879.68 m².

②-1. Title

- A. According to the State-owned Land Use Right Grant Contract (Sui Guo Di Chu He [2004] No.185) provided by the Clients, the Transportation Engineering Company acquired the industrial land with a site area of 23,434.00 m² at No. 315, Guanghua 5th Road, Baiyun District, by entering into the assignment agreement and then signed the Agreement on Modification of the State-owned Land Use Right Grant Contract (No. 1 of the Modification Agreement of Sui Guo Di Chu He [2004] No. 185), pursuant to which 898 m² of the original industrial land with an area of 23,434.00 m² is changed to commercial use, while the remaining 22,536 m² is still for industrial use.
- B. According to the State-owned Land Use Right Grant Contract (Sui Guo Di Chu He [2004] No. 158) provided by the Clients, the Transportation Engineering Company acquired the industrial land, i.e. Lot 275 at Guanghua Road, located the west of Guanghua Road, Baiyun District and the west side of the Guangdong Highway Machinery Factory, with a site area of 4,498.00 m² by entering into the assignment agreement, and then obtained the State-owned Land Use Rights Certificate (Sui Guo Yong [2005] No. 25) on 22 July 2005 for the land with an actual parcel area of 8,895.00 m² and the land use right of an area of 4,498.00 m² for industrial, mining and warehousing use at the nature of assignment. The premium for the transfer of state-owned land use right has been paid for the land, and the term begins from 21 July 2005. According to the appraised entity, Guangdong Highway Machinery Factory (廣東省公路機械廠), the predecessor of the appraised entity, and Guangdong Highway Workers Technical Training Center (廣東公路職工技術培訓中心) entered into the Contract for Land Transfer on August 2002, in relation to a portion of the land transferred with an area of 8,028 m². Further to the Contract, the Guangdong Highway Machinery Factory, Guangdong Province Transportation Engineering Company Limited (廣東省交通工程有限公司) and Guangdong Highway Workers Technical Training Center entered into the Supplemental Agreement for Land Transfer in March 2006 to ascertain rights and obligations of the parties. Pursuant to the Supplemental Agreement, the remaining area of 879.68 m² of the land was reserved for use by Guangdong Province Transportation Engineering Company Limited.

- C. According to the “Explanations on the Conditions of a Land Parcel of 23,434.00 Square Meters” provided by the Transportation Engineering Company, the land parcel of 23,434.00 m² held by the Transportation Engineering Company is included in the scope of the Three Olds Redevelopment Plan of Guangzhou with map spot number of “44011103285”. The net land area of the land parcel of 23,434.00 m² after the adjustment of detailed regulatory planning is 14,434.00 m², the plot ratio is 4.5, and the gross floor area for calculating plot ratio is 64,964.17 m². According to the Detailed Regulatory Planning of Baiyun Station and its Surrounding Areas (《白雲站及周邊地區控制性詳細規劃通告附圖》) (Approval No.: Sui Fu Han [2019] No. 193) issued by the People’s Government of Guangzhou, the regulatory planning usage of the land parcel of 23,434.00 m² held by the Transportation Engineering Company is adjusted from industrial use to commercial, road and greening uses.

②-2. Status of assets

- A. In respect of the land of 23,434.00 m², it is irregular polygon, extending east to the Airport Road, with the remaining part connecting to the surrounding lands. There are several steel-concrete structures erected thereon, one of which is an 8-storey commercial office building built in 2004, and most of the remaining structures are buildings of 1 storey to 3 storeys built in the 1970s and 1980s. Except for the structures, the rest of the land has been hardened and was surrounded by walls with flat landform and general terrain.
- B. In respect of the land of 879.68 m², it is irregular polygon, extending to the surrounding land parcels. It has been hardened and is currently a vacant land with flat landform and general terrain.

(2) *Fixed assets*

Fixed assets mainly include buildings and structures, vehicles and electronic equipment for vehicle use.

① *Buildings and structures*

The buildings and structures with the net book value of RMB1,663,837.28, for which the original book value is RMB4,562,915.01, are comprised of 8 items, i.e. the dormitory duty room, toilet and three-storey renovated office in the compound of No. 1731, 1733 and 1735 Airport Road, Baiyun District, and the garage and warehouses at basement 1/F and 2/F of No. 1765 Airport Road, Baiyun District, of which 7 items are buildings and structures and 1 item is decoration costs, with a total floor area of 2,073.61 m².

①-1. Title

According to the Appraised entity, except that title ownership certificates have been obtained for the structures at the 1st and 2nd floor of the fund-raising building, no real estate ownership certificates are obtained for the remaining buildings and structures, the particulars of which are as follows:

No.	Ownership certificate No.	Name of building	Address	Structure	Date of completion	Gross floor area (m ²)
1	Nil	Dormitory duty room	The compound at Nos. 1731, 1733 and 1735 Airport Road, Baiyuan District	Composite structure of 1 storey	1 January 1990	24.00
2	Nil	Toilet	The compound at Nos. 1731, 1733 and 1735 Airport Road, Baiyuan District	Composite structure of 1 storey	1 January 1993	49.84
3	Yue Fang Di Zheng Zi No. C4805261 and No. C4805262	1/F and 2/F of the Fund-raising Building	Basement 1/F and 2/F, No. 1765 Airport Road, Baiyun District	Steel-concrete structure of 8 storeys	1 June 2004	886.99
4	Nil	Decoration of three-storey office	The compound at Nos. 1731, 1733 and 1735 Airport Road, Baiyuan District	****	30 April 2010	
5	Nil	Three-storey office	The compound at Nos. 1731, 1733 and 1735 Airport Road, Baiyuan District	Steel-concrete structure of 3 storeys	1965 (renovated in 2021)	573.45
6	Nil	Riveting workshop	The compound at Nos. 1731, 1733 and 1735 Airport Road, Baiyuan District	Steel-concrete structure of 1 storey	December 1996	319.83
7	Nil	Two duty rooms at main entrance	The compound at Nos. 1731, 1733 and 1735 Airport Road, Baiyuan District	Steel-concrete structure of 1 storey	1965	63.50
8	Nil	Warehouse for Petrol Station	The compound at Nos. 1731, 1733 and 1735 Airport Road, Baiyuan District	Steel-concrete structure of 1 storey	-	156.00

Items 1-2 and 5-8 in the above table have not been issued with real estate ownership certificates, and the land on which the properties are located falls into the item 1 of the Investment Properties – Breakdown for Land Use Rights Valuation, please refer to the corresponding description for further details.

According to the Real Estate Ownership Certificates (Yue Fang Di Zheng Zi Nos. C4805261 and C4805262), the owner of the properties is the Transportation Engineering Company, which obtains the building ownerships through purchase of the properties with entire share. Basement 1/F is used as parking lots, warehouses and non-motor vehicle garages with a gross floor area of 462.18 m², and basement 2/F is used as warehouses with a gross floor area of 424.81 m². Land premium for state-owned land has been paid for the land parcel for a term of 50 and 70 years commencing from 21 January 2001.

Item 3 in the above table refers to the decoration of three-storey office. The decoration date is 30 April 2010. As of the valuation benchmark date, the amortisation has been completed.

As advised by the appraised entity, the buildings are not subject to any mortgage and seizure.

①-2, Status of assets

Items 1-2 and 5-8 in the above table, built in the 1990s, are located on a land parcel of 23,434.00 m² with 1-storey composite structure. The assets are used as dormitory duty room and toilet. The assets are generally decorated and maintained in general conditions.

The south side of the basement 1/F of item 3 in the above table is the main entrance, which is actually the first floor of the building, while the north side is the basement 1/F, which is currently leased as offices; basement 2/F is the equipment floor. From the appearance, the maintenance condition is normal.

(3) *Vehicles and electronic equipment*

For the two vehicles – Guangzhou Honda Odyssey and Volkswagen Magotan, the original book value is RMB484,426.23 and the net book value is RMB134,276.66. Guangzhou Honda Odyssey was purchased in June 2010 with a travelled mileage of 303,000.00 kilometers and Volkswagen Magotan was purchased in October 2019 with a travelled mileage of 54,000.00 kilometers. The two vehicles are maintained in good condition and all in use.

For electronic equipment, which has 89 items in total, mainly including computers, air conditioners and printers, the original book value is RMB574,883.87 and the net book value is RMB181,432.63. The electronic equipment was all purchased and used during 2009 to 2021 and are maintained in general condition and most of them are in use.

(IV) Type and quantity of off-balance sheet assets reported by the enterprise

Nil.

(V) Type, quantity and legal ownership of the intangible assets recorded or not recorded in books as reported by the enterprise

Nil.

(VI) Type, quantity and carrying amount or appraised value of the assets involved in the report conclusion issued by other institutions

The above assets and liabilities included in the scope of the valuation are consistent with those involved in the economic activities and those provided by the enterprise, and have been evaluated on the basis of the Special Audit Report on Asset and Capital Verification of the Transportation Engineering Company (《交通工程公司清產核資專項審計報告》) (GDHJ [2022] No. 5002F) issued by Guangdong Hongjian Accountant Office Co., Ltd. (廣東宏建會計師事務所有限公司).

(VII) Whether the book value of the assets have been adjusted according to previous asset valuation conclusions

Nil.

(VIII) Whether there was any written-off or divestiture of non-performing assets before the valuation

Nil.

V. TYPE OF VALUE AND ITS DEFINITION

(I) Type of value: According to the valuation purpose and the characteristics of the valuation target, the type of value for the valuation conclusion is market value.

(II) Definition of value type: Market value refers to the estimated value of the valuation target in an arm's length transaction made by the appraised entity in the ordinary course of business at the valuation benchmark date between a willing buyer and a willing seller who has each acted rationally and without compulsion. It reflects the recognition and judgement of the value of an asset in the general market rather than in specific markets.

(III) Reasons for selecting the value type

Given that the purpose of this valuation is to provide a reference basis for the market fair value of the entire shareholders' equity of the Transportation Engineering Company involved in the proposed equity transfer by Guangdong Yueyun Transportation Company Limited and Guangdong Litong Development and Investment Co., Ltd., market value is selected as the type of value for the valuation conclusion.

VI. VALUATION BENCHMARK DATE

The price standard adopted in this valuation is the price standard as at the valuation benchmark date, therefore, the selection of the valuation benchmark date has a direct impact on the valuation results. However, in this valuation, there has been no significant change in national macroeconomic policies and market conditions as at the time when the valuation results were provided.

The main factors considered in determining the valuation benchmark date are:

- (I) The benchmark date is determined by the clients on the basis of the benchmark date in the Special Audit Report on Asset and Capital Verification of the Transportation Engineering Company (GDHJ [2022] No. 5002F) issued by Guangdong Hongjian Accountant Office Co., Ltd. (廣東宏建會計師事務所有限公司). Therefore, the benchmark date of the valuation is 31 December 2021.
- (II) According to the principle of achieving the most accessible and convenient operation for its economic activities and the purpose of valuation, the benchmark date is fixed at 31 December 2021.

In this asset valuation, the definition of asset valuation scope, determination of appraised value and selection of valuation parameters are all determined according to the external economic environment and market conditions as at the benchmark date. All the pricing standards in this report are valid value standards as at the valuation benchmark date.

VII. BASIS OF VALUATION

The laws and regulations of the state, local governments and relevant departments followed in the asset valuation as well as the documents and data referred to in the asset valuation mainly include:

(I) **Basis of Activity**

Nil.

(II) Legal Basis Provided by Laws and Regulations

1. The Civil Code of the People’s Republic of China (adopted at the 3rd Session of the 13th National People’s Congress on 28 May 2020, effective from 1 January 2021);
2. The Asset Valuation Law of the People’s Republic of China (adopted at the 21st meeting of the 12th Standing Committee of the National People’s Congress on 2 July 2016, effective from 1 December 2016);
3. The Company Law of the People’s Republic of China (adopted at the 6th Session of the 13th National People’s Congress on 26 October 2018); and the Enterprise Income Tax Law of the People’s Republic of China (revised on 16 March 2007);
4. The Urban Real Estate Management Law of the People’s Republic of China (adopted at the 12th meeting of the Standing Committee of the 13th National People’s Congress on 26 August 2019, the third revision);
5. The Land Administration Law of the People’s Republic of China (adopted at the 12th meeting of the Standing Committee of the 13th National People’s Congress on 26 August 2019, the third revision);
6. The Law on State-owned Assets of Enterprises of the People’s Republic of China (Order No. 5 of the President of the People’s Republic of China, adopted at the 5th meeting of the Standing Committee of the 11th National People’s Congress on 28 October 2008);
7. The Accounting Law of the People’s Republic of China (Order No. 24 of the President of the People’s Republic of China);
8. The Enterprise Income Tax Law of the People’s Republic of China (adopted at 26th meeting of the Standing Committee of the 12th National People’s Congress on 24 February 2017);
9. The Regulations on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China (adopted at the 197th executive meeting of the State Council on 28 November 2007, and amended by Order of the State Council of the People’s Republic of China (No. 714) on 23 April 2019);
10. The Law on the Administration of Tax Collection of the People’s Republic of China;
11. The Notice on Carrying out Pilot Operation of Change from Business Tax to Value-added Tax (issued by the Ministry of Finance and the State Administration of Taxation, Caishui [2016] No. 36) and its Annex 2 “Provisions on Matters Concerning the Pilot Operation of Change from Business Tax to Value-added Tax”;

12. The Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council of the People's Republic of China);
13. The Regulations on Issues Concerning the Administration of Assessment of State-owned Assets (Order No. 14 of the Ministry of Finance of the People's Republic of China);
14. The Rules for the Implementation of the Measures for the Administration of Assessment of State-owned Assets [1992] No. 36 of the Office of the former National State-Owned Assets Administration Bureau);
15. The Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
16. The Circular on the Transmission of the Recommendations Submitted by Ministry of Finance Concerning Assessment on the Reform of Stated Owned Assets Administration and Strengthening the Supervision and Management of Assets Valuation (General Office of the State Council Guo Fa Ban [2001] No. 102);
17. The Notice on Strengthening the Administration of Assessment of State-owned Assets of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
18. The Notice on Relevant Matters Concerning the Examination of Assessment Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941).

(III) Basis of Valuation Standards

1. *Basic Asset Valuation Standards*

- (1) Basic Asset Valuation Standards (Cai Zi [2017] No. 43).

2. *Practice Guidelines for Asset Valuation*

- (1) Professional Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
- (2) Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
- (3) Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);

- (4) Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
- (5) Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
- (6) Practice Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
- (7) Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
- (8) Practice Guidelines for Asset Valuation – Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
- (9) Practice Guidelines for Asset Valuation – Use of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35);
- (10) Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
- (11) Asset Valuation Guidelines Terminology (2020) (Zhong Ping Xie [2020] No. 31).

3. *Guiding Opinions on Asset Valuation*

- (1) Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
- (2) Guiding Opinions on Legal Ownership of Asset Valuation Target (Zhong Ping Xie [2017] No. 48).

4. *Asset Valuation Guidelines*

- (1) Guidelines for State-owned Assets Evaluation Reports of Enterprises (Zhong Ping Xie [2017] No. 42);
- (2) Guidelines for Quality Control of Assessment Agencies (Zhong Ping Xie [2017] No. 46).

5. Basis of Other Industry Standards

- (1) The National Standard of the People's Republic of China – Urban Land Appraisal Regulations (GB/T18508-2014);
- (2) The National Standard of the People's Republic of China – Classification of Land Use Status (GB/T21010-2007);
- (3) The National Standard of the People's Republic of China – Urban Land Grading Regulations (GB/T 18507-2014);
- (4) The Code for Real Estate Appraisal (National Standard GB/T50291-2015);
- (5) The Accounting Standards for Business Enterprises – Basic Standards (Order No. 33 of the Ministry of Finance, promulgated in 2006 (new standards))/the Accounting Standards for Business Enterprises (Order No. 5 of the Ministry of Finance, promulgated in 1992 (old standards));
- (6) The General Rules on Financial Affairs of Enterprises (Order No. 41 of the Ministry of Finance).

(IV) Basis for determining property rights

1. The business licenses of the Clients and the business license, the articles of association, the capital verification report of the appraised entity, etc.;
2. The Real Estate Ownership Certificates (Yue Fang Di Zheng Zi No. C4805261 and No. C4805262), etc.;
3. The Asset Valuation Declaration Form provided by the appraised entity;
4. The material asset contracts and invoices, etc.

(V) Basis for determining the valuation

1. The reference costs of property construction projects in Guangzhou for 2021;
2. The Notice of the General Office of the People's Government of Guangzhou on Circulating the Implementation Rules for Guangzhou's Further Promotion of Urban Renewal Work (Sui Fu Ban Gui [2019] No. 5);
3. The Notice of the General Office of the Ministry of Land and Resources on Circulating the Technical Specifications for Land Price Evaluation in relation to Transfer of Rights to Use of State-Owned Construction Lands (Guo Tu Zi Ting Fa [2018] No. 4);

4. The Announcement on and Drawings Attached to the Regulatory Plan of Baiyun Station and its Surrounding Areas issued by the People's Government of Guangzhou (Approval No.: Sui Fu Han [2019] No. 193);
5. Other information for determining the valuation.

(VI) References and other information

1. The data, records and related images obtained by appraisers through conducting checks and on-site review;
2. The market research data;
3. The financial and accounting information provided by the appraised entity;
4. The loan interest rate prevailing as at the valuation benchmark date;
5. The statistics and technical standards released by relevant state departments and other relevant data collected by the valuer;
6. The relevant appraisal information and data accumulated by us.

VIII. VALUATION METHODS

(I) Basic methods of asset valuation (brief description of valuation methods)

The basic valuation methods stipulated in the Asset Valuation Standards – Basic Standards, the Asset Valuation Standards – Enterprise Value and related asset valuation standards include the market approach, income approach and asset-based approach.

1. Market approach

The market approach in enterprise value appraisal refers to the valuation method that compares the valuation target with comparable listed companies or comparable transactions to determine the value of the valuation target. That is: ① the market approach is applicable to an active open market with sufficient market data; ② the market approach requires asset valuation under the condition that there are comparable transactions in the open market; ③ comparable transactions usually refer to recent transactions that have occurred in the open market and are the same or similar to the appraised assets and asset business; ④ it is able to determine comparable transactions with a reasonable basis for comparison; ⑤ it is able to collect relevant information on comparable transactions; ⑥ it can be sure that the information upon which it is based is appropriate and reliable; ⑦ it is usually necessary to analyze and adjust the information of comparable transactions in order to make the financial statements of the appraised enterprise comparable.

2. *Asset-based approach*

The asset-based approach, also known as the cost method, refers to a valuation method that reasonably appraises the value of various assets and liabilities on and off the balance sheet of the appraised enterprise based on the balance sheet of the appraised enterprise as at the valuation benchmark date to determine the value of the valuation target. That is: ① the cost method is mainly applicable to the asset valuation on the condition of continued use; ② it can be sure that the valuation target has the expected profit potential; ③ When appraising the value of an enterprise on a going concern basis, the cost method should not generally be used as the only valuation method; ④ there should be available data; ⑤ the physical, functional and economic depreciation of assets should be fully considered.

3. *Income approach*

The income approach refers to the valuation concept of determining the value of the valuation target by capitalizing or discounting the expected income of the appraised enterprise. The income approach is applicable to enterprises that have the ability to operate on a going concern basis, that there is a relatively stable connection between operation and income and that future expected returns and risks can be forecasted and quantified. That is: ① the future expected return of the appraised asset can be forecasted and measured in currency; ② the risk borne by the asset owner to obtain the expected return can also be forecasted and measured in currency; ③ the expected profit period of the appraised asset can be forecasted; ④ it is necessary to be sure of the reasonableness of the forecast of future expected income, so as to reasonably reflect the future expected income of the appraised asset; ⑤ the risks that will be faced in obtaining the expected income must be fully considered, and the discount rate shall be chosen reasonably; ⑥ the caliber for the expected income must be consistent with that of the discount rate; ⑦ the income forecast period shall be reasonably determined, and the income after the forecast period and the calculation of the relevant final value shall be properly considered.; ⑧ it is able to use a suitable valuation model to form a reasonable valuation conclusion.

The market approach, income approach and asset-based approach in the appraisal of enterprise value, as well as other valuation methods derived from the above three basic valuation methods, together constitute the method and system of asset valuation, and there is an inherent relationship between various valuation methods and each has its own characteristics. The three basic valuation methods are to express the value of assets from different perspectives.

(II) Selection of valuation methods and reasons thereof

According to the Asset Valuation Standards – Enterprise Value, in conducting appraisal of enterprise value, asset appraisers shall analyze the applicability of three basic valuation methods, namely income approach, market approach and asset-based approach, according to the relevant conditions such as appraisal purpose, valuation target, value type and data collection and shall properly select one or more basic methods of asset valuation.

1. Analysis on applicability of the market approach

Two methods commonly used in the market approach are the comparable transaction method and the comparable listed company method. Due to the underdeveloped market of enterprise and equity transactions in China, it is difficult to find a comparable which is same or similar to the appraised entity, and the relevant adjustment indicators and technical parameters cannot be obtained, so it is difficult to appraise through comparable transactions; on the other hand, in view of the current actual situations in China, the securities market is in the development stage and the stock price of listed companies fluctuates significantly, which often deviates from their profitability, thus it is difficult to fairly reflect a company's value by its stock price. Therefore, under the current market conditions, it is not appropriate to use the market approach for valuation.

2. Analysis on applicability of the income approach

The appraisers make a judgment on the applicability of the income approach to the appraised entity based on the overall situation of the Transportation Engineering Company, the purpose of this valuation and the degree of satisfaction of conditions for the income approach.

The Transportation Engineering Company was established in 1994. Since its main business ceased in 2003, the Transportation Engineering Company has been focusing on property rental. Based on the financial statements of the Transportation Engineering Company, it has been profitable from 2017 to 2021, therefore its future income can be forecasted and the income period can be determined. Assuming the approval period for the application of the Three Olds Redevelopment Plan (under government purchase model) is five years, the existing properties will be leased within five years from the valuation benchmark date, the Three Olds Redevelopment Plan (under government purchase model) was approved and the compensation was obtained at the end of the fifth year and the compensation funds for the Three Olds Redevelopment were fully collected from the government in the sixth year, the Transportation Engineering Company has no business plan for the time being and the income is unforeseeable.

Therefore, the income approach is adopted in this valuation and the income period is determined to be six years.

3. Analysis on applicability of the asset-based approach

The asset-based approach, also known as the cost method, refers to a valuation method that reasonably appraises the value of various assets and liabilities on and off the balance sheet of the appraised enterprise based on the balance sheet of the appraised enterprise as at the valuation benchmark date to determine the value of the valuation target. That is: ① the cost method is mainly applicable to the asset valuation on the condition of continued use; ② it can be sure that the valuation target has the expected profit potential; ③ When appraising the value of an enterprise on a going concern basis, the cost method should not generally be used as the only valuation method; ④ there should be available data; ⑤ the physical, functional and economic depreciation of assets should be fully considered. The Transportation Engineering Company meets the requirements of using the cost method and the asset-based approach is proposed to be used as a valuation method.

(III) Explanations on the asset-based approach

The asset-based approach (also known as the cost method) refers to the valuation concept of determining the value of the valuation target on the basis of a reasonable appraisal of the value of various assets and liabilities of an enterprise. In the appraisal, each asset and liability shall be appraised by the valuation method suitable for the appraised assets, and the appraised value of the net assets shall be determined by subtracting the value of the assets from the value of the liabilities after appraisal. The following specific methods are adopted to appraise based on the characteristics of the main individual assets and liabilities and relevant information:

1. Valuation method for current assets

(1) Cash and cash equivalents:

For centralised deposits, the real existence of the bank deposits is proved by checking the bank statement and confirming the bank deposit account. At the same time, it shall check whether there is any unrecorded bank loan and review the authenticity of the unreceived account in the Bank Deposit Balance Reconciliation Statement and the credit status after the valuation benchmark date and there is no outstanding account of bank deposits as at valuation benchmark date. The appraised value of centralised deposits is determined by the verified book value.

For cash, on-site verification shall be conducted and cash journal shall be used to tie it back to the valuation benchmark date. The appraised value is determined by the verified book value.

- (2) Other receivables: appraisal professionals shall check the balance sheet, general ledger, sub-ledger, contract ledger and valuation breakdown prepared by the enterprise, check the manuscript with the auditor and examine whether their amount, content, quantity and date are consistent with the account statement. After checking and verification, the amount of cash and bank deposits shall be consistent with that of bank journal and cash journal. During the appraisal, the amount of each current account, the time and reason for the arrears, the funds, credit and business management status of the debtors shall be analyzed one by one, and a judgment shall be made on the possibility of recovering the funds. During the appraisal, the verified book balance is determined as the appraisal value.
- (3) Other current assets: Other current assets are the input items to be deducted. The appraisers shall check the receipt vouchers, payment vouchers and other materials, and verify the content, amount, etc., and take the book value as the appraisal value after verification.

2. *Valuation method for non-current assets*

(1) *Investment properties – Buildings*

Basically, it is assumed in this valuation that the Three Olds Redevelopment Plan will be approved after five years and the original property still has five years of rental income. In this valuation, the income approach is used to obtain the net cash flow of five years and discount it.

(2) *Investment properties – Land*

According to the Explanations on the Conditions of a Land Parcel of 23,434.00 Square Meters provided by the Transportation Engineering Company, the land parcel of 23,434.00 m² held by the Transportation Engineering Company is included in the scope of the Three Olds Redevelopment Plan of Guangzhou with map spot number of “44011103285”. It is assumed in this valuation that the approval period for the application of the Three Olds Redevelopment Plan (under government purchase model) is five years and the compensation funds will be fully collected after one year.

It is stipulated in Article 12 of the Notice of the General Office of the People’s Government of Guangzhou on Circulating the Implementation Rules for Guangzhou’s Further Promotion of Urban Renewal Work (Sui Fu Ban Gui [2019] No. 5) that if old factories to be reconstructed are taken back by the government and changed to operating land such as residential or commercial service facilities, the compensation for the portion of residential land with gross plot ratio of below 2.0 (inclusive) and the portion of commercial service facilities land with gross plot ratio of below 2.5 (inclusive) can be calculated at a price not higher than the public

transfer price or 60% of the market appraised price for new planned use. The compensation for the portion of residential land with gross plot ratio of above 2.0 and the portion of commercial service facilities land with gross plot ratio of above 2.5 can be calculated at the public transfer price or 10% of the market appraised price for new planned use.

In this valuation, the market approach is used to obtain the market price of the new planned use when the Three Olds Redevelopment Plan is approved to calculate the compensation after deducting the land leveling and soil environmental investigation and risk assessment costs and discounting it after taking into account the time value of funds.

The market approach is adopted for land use rights. The market approach is a method that when determining the price of a land to be appraised, according to the principle of substitution, the land to be appraised is compared with similar land transactions that have occurred in a relatively recent period, and based on the known price of the latter and with reference to the differences in transaction status, date, area and specific factors of the land, adjustments are made to such price to derive the price of the land to be appraised as at the valuation benchmark date.

Price of the right to use the land to be appraised = price of comparative transaction × correction coefficient of transaction × correction coefficient of transaction date × correction coefficient of plot ratio × correction coefficient of remaining useful life × correction coefficient of regional factors × correction coefficient of specific factors.

(3) *Fixed assets*

① *Buildings*

The income approach is a method of forecasting the future income of the valuation target and using the rate of return or capitalization rate and income multiplier to convert the future income into value to derive the value or price of the valuation target. This valuation does not involve rent during the lease term and the objective market rent is obtained by using the market approach. The calculation formula under the income approach is as follows:

$$P = \frac{A}{(r-g)} \times \left[1 - \left(\frac{1+g}{1+r} \right)^n \right]$$

Where: P = present value of future net income; r = rate of return; g = expected growth rate;

A = unchanged annual net income; n = finite income period.

② Equipment fixed assets

Equipment assets are mainly vehicles and electronic equipment. According to the purpose of this valuation, in accordance with the principle of continuous use, based on the market price and in combination with the characteristics of the commissioned equipment and information that can be collected, except for one car for which the market approach is adopted, all equipment assets are mainly appraised under the replacement cost method. Equipment is appraised under the replacement cost method, that is, first estimate the full replacement price of the equipment as at the valuation benchmark date, and then deduct its physical depreciation, possible functional depreciation, economic depreciation and other depreciation according to the current status of equipment operation and maintenance and its expected future use in order to determine the appraised value of the equipment to be appraised.

(4) *Construction in progress*

The appraisers verified the relevant sub-accounts, entry vouchers, feasibility study reports, preliminary design and other materials of the construction in progress on the site, inspected the physical objects corresponding to the construction in progress and discussed with the project engineering technicians and other relevant personnel, thereby confirming the construction in progress represents the labor cost, survey and design fee, research fee and other fees of the Three Olds Redevelopment project before 2015. The Three Olds Redevelopment project has not been implemented as of the valuation benchmark date. The conclusion of this valuation is based on the premise that the Three Olds Redevelopment Plan is under government purchase model. In order to avoid repeated valuation of assets, the construction in progress is included in the calculation of investment properties – land use rights in this valuation.

3. *Liabilities*

During the process of checking, appraisal professionals checked the balance sheet, general ledger, sub-ledger and valuation breakdown prepared by the enterprise, and reviewed whether the amount, content, quantity and date are consistent with the ledger with the verified book value as the appraised value for accounts with large amount.

(IV) Explanations on the income approach

The income method is used to appraise the value of an enterprise to be appraised, that is, by forecasting the future expected income of the enterprise to be appraised and capitalizing it or discounting it to the present value with an appropriate discount rate and summing it up, so as to determine the market value of the enterprise to be appraised.

This valuation exercise was conducted by estimating the value of the entire shareholder equity (net assets) based on the appraised enterprise's audited financial statements under the equity cash flow model. To begin with, the value of the appraised enterprise's operating assets was estimated using discounted cash flow method (DCF) based on income sources, plus the value of other non-operating or surplus assets as at the benchmark date, to derive the value of the equity interests of the appraised enterprise.

(Equity free cash flow R = initial capital + current sales cash inflow + current borrowing cash inflow - current development costs expenses-current management expenses - current sales expenses - financial expenses - relevant taxes - income tax. etc.)

The basic model for this valuation is: $E = P + \sum C_i$

Where:

E: value of the entire shareholder equity of the valuation target

P: value of the operating assets of the valuation target

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

Where:

R_i: expected equity free cash flow of the valuation target in the year of "i" in the future

r: discount rate;

n: future operating term of the valuation target

$\sum C_i$: value of other non-operating or surplus assets of the valuation target that exists as at the benchmark date

$$\sum C_i = C_1 + C_2$$

C₁: value of cash or equivalent assets (liabilities) of the valuation target as at the benchmark date

C₂: value of other surplus or non-operating assets of the valuation target that exists as at the benchmark date

IX. PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES

This valuation was carried out into four stages, namely the preparation stage of the valuation, on-site valuation stage, valuation consolidation stage and report submission stage from the acceptance of an engagement to the submission of the valuation report, which are set out as follows:

(I) Preparation stage of the valuation

1. The process consists of accepting an engagement, determining the purpose of the valuation, the valuation target, the valuation scope and the valuation benchmark date, and preparing a valuation plan.

After determining the purpose of the valuation, the valuation target and the valuation scope, the person-in-charge of the Company and the project manager have carried out negotiation with Guangdong Yueyun Transportation Company Limited and Guangdong Litong Development and Investment Co., Ltd. (the “Clients”), in relation to the asset valuation. The Clients have determined the valuation benchmark date and signed an Asset Valuation Engagement Contract after proposing the engagement intention and time schedule.

2. After signing the Asset Valuation Engagement Contract, the Company has prepared a valuation plan, formed a valuation team, formulated a detailed valuation scheme, staffing and schedule, and carried out plenty of preliminary work according to the project requirements.
3. According to the scope and target of this valuation, the appraisers have compiled the detailed asset appraisal form, the information list and the filling requirements.

(II) On-site valuation stage

The on-site valuation stage of the project team was scheduled for 28 March 2022. The main tasks were as follows:

1. Based on the declared assets, the appraisers conducted a comprehensive inventory of the assets and liabilities which fell under the valuation scope. According to the requirements of the asset valuation criteria, the main tasks were as follows:
 - ① Understanding the financial system and operating conditions of the appraised enterprise by listening to the introduction on its overall situation and the history and current status of the appraised assets from the Clients and its relevant personnel;

- ② Instructing the appraised enterprise to make an inventory of assets, and to prepare valuation materials, verify assets and materials. The Transportation Engineering Company, as the appraised enterprise, designated a special task force to conduct asset inspection to facilitate valuation work. Under the guidance of the appraisers of the Company, it completed the breakdown of assets valuation, made the self-inspection and prepared the valuation materials on the actual quantity and quality of buildings and equipment in accordance with the requirements of the Guidelines for Valuation Reports of State-owned Assets of Enterprises (Zhongping Xie [2017] No. 42), and collected relevant documents, invoices, accounting statements, financial accounts and cards, and other information necessary for the this valuation.
2. After inspecting the assets of the Transportation Engineering Company, the appraisers carried out assets verification, account audit, ownership verification, physical inspection, market research and materials verification and valuation methods selection, respectively. Firstly, they conducted the assets inventory and verification in the accounts and statements item by item, verified the accounts, cards, etc. of the appraised assets, and checked whether the names, quantities, units, models, acquisition time and book values of the assets were consistent with those in other information; secondly, they checked the accounts based on the verification of the accounts, and conducted actual physical inventory of fixed assets on a case-by-case basis according to the list of fixed assets. On the basis of on-site investigation, the appraisers carried out investigations by means of enquiry, correspondence, verification, monitoring, survey and inspection, etc., to obtain the basic information necessary for this valuation and to understand the current status and legal ownership status of the valuation target. They performed detailed analysis, summarization and sorting of the collected documents, ownership certificates, accounting statements, financial accounts and cards, organization chart and inquiry records, inquiry results, inspection records, industry information and other information necessary for this valuation, conducted price surveys and comparisons of the physical assets to form the basis of valuation and estimation and determine the valuation methods according to the analysis results.
3. Process of selecting valuation methods, collecting market information and estimating.

According to the type of assets and actual conditions, the appraisers collected the market information, applied all information and data collected, and the relevant economic, technical and financial indicators to select and adopt the appropriate valuation method in determining the value and estimating the value of the assets.

(III) Processes such as valuation result consolidation, valuation conclusion analysis, report compilation and internal review

According to the appraised value of different assets, the appraisers consolidated the valuation result to create a complete set of detailed asset valuation lists and consolidated tables and carried out analyses on the reasonableness of the changes of appraised values to compile a valuation report. After the completion of the first draft of the valuation report, the appraisal company conducted an internal review of the valuation report in accordance with the internal review process. The appraisal project team revised and improved the valuation report based on the internal review opinions.

(IV) Submission of a report

On the basis of the above work, an official valuation report was issued by taking full consideration of the relevant opinions in respect of the valuation result after communication with the Clients and based on the results of the internal review and revision of the valuation agency.

X. VALUATION ASSUMPTION

Asset valuation is actually an act to determine the value of assets in a simulated market. In face of the evolving market and the ever-changing factors that affect the value of assets, it is necessary for the appraisers to judge the value by “solidifying” market conditions and various factors that affect the value of assets in a certain state under appropriate assumptions. The valuation assumptions of this project consist of premise assumption, important assumption, basic assumption, specific assumption and special assumption. The assumptions are as follows:

(I) Precedent assumption

1. Transaction assumption: it is the most fundamental precedent assumption under which the asset valuation can proceed. It is assumed that the valuation target is in the process of being transacted, and the valuer carries out the valuation based on the transactional conditions of the valuation target in a simulated market.
2. Open market assumption: it is assumed that the assets are to be appraised in an open market. An open market refers to a competitive market with fully developed and refined market conditions, where a willing buyer and a willing seller are equal in status and are granted with the opportunities and time to obtain sufficient market information, and conduct transaction activities on a voluntary, rational, and not compulsory or unrestricted basis.
3. Enterprise going concern assumption: it is assumed that the appraised entity carries out operations in compliance with the laws and its business license can be extended after the expiration of the operating term. There will be no unforeseen factors that render its failure to continue as a going concern, and the assets of the appraised entity will be used according to the Three Olds Redevelopment Plan (under government purchase model).

(II) Important assumption

This valuation is carried out mainly under the following important assumptions. The valuation result shall be adjusted accordingly when the following important assumptions change significantly:

1. Assets owned by the appraised entity shall be used in accordance with the Three Olds Redevelopment Plan (under government purchase model);
2. This valuation considers neither the impact of additional costs and expenses that may be paid by the special transaction method on its appraised value, nor the impact of natural disasters and other force majeure on its appraised value;
3. The impact of inflation is not considered in this valuation. Under the assumptions of this valuation, the type of value to determine the estimation is market value based on the purpose of this valuation. All pricing standards in the estimation are the market price standards and value system as at the valuation benchmark date.

(III) Basic assumption of the valuation

1. It is assumed that the management of the appraised entity is responsible and has the capability to take on their duties and responsibilities.
2. It is assumed that the appraised entity fully complies with all the relevant prevailing laws and regulations.
3. It is assumed that the accounting policies to be adopted by the appraised entity in the future will be fundamentally consistent in all material aspects with those adopted as at the valuation benchmark date.
4. It is assumed that there will be no significant changes in the industry, region and social and economic environment in the PRC in which the appraised entity operates, and there will be no significant changes in the prevailing national laws, regulations and social, political and economic policies.
5. It is assumed that there will be no significant changes in the tariff bases and policy charges.
6. It is assumed that the changes in deposit and lending rates after the benchmark date are not considered in this valuation.
7. It is assumed that there will be no other force majeure and unforeseeable factors that have a material adverse effect on the appraised entity.

(IV) Assumptions about the valuation target

1. It is assumed that the purchase and acquisition of the assets involved in the valuation target conform to the relevant national laws and regulations.
2. It is assumed that the assets involved in the valuation target are free from material defects, liabilities and restrictions that may affect their value.
3. It is assumed that there is no material adverse effect on the value of the relevant assets involved in the valuation target.
4. It is assumed in this valuation that the net land area of the land parcel of 23,434.00 m² after the adjustment of detailed regulatory planning is 14,434.00 m², the plot ratio is 4.5, and the gross floor area for calculating plot ratio is 64,964.17 m² and the land parcel is for commercial use.
5. It is assumed in this valuation that the approval period for the application of the Three Olds Redevelopment Plan (under government purchase model) in relation to the land parcel of 23,434.00 m² is five years.
6. Although the valuation procedures we have implemented include the survey of the appraised assets, such surveys are only limited to the observation of the visible parts of the appraised assets, as well as random checks and limited understanding of relevant management, use and maintenance records, and no other professional testing and identification methods have been adopted.

(V) Special assumption

This valuation is only based on the existing operating capacity as of the benchmark date, assuming that there will be no changes in financial leverage by taking no account of the expansion of operating capacity due to the management and operating strategies and investment increase in the future.

(VI) Valuation restrictions

1. The authenticity and accuracy of the legal document and relevant documents on economic behavior, property rights information, as well as the relevant documents and materials on valuation of technology and operation provided by the appraised entity, on which the valuation report is based, shall be responsible by the appraised entity. We have not verified with the relevant authorities and are not responsible for any legal matters relating to the ownership of the assets involved in the valuation target.

2. Unless otherwise specified therein, we take no account of the impact of existing or potential mortgage and guarantee matters, as well as the special transaction method on the assets involved in the valuation target.
3. This valuation report takes no account of the impact of major changes in national macroeconomic policies and force majeure and other unforeseeable factors on the asset value.
4. The appraisers are aware that the liquidity of the assets may have a significant impact on the value of the valuation target. However, due to the inability to obtain sufficient information on the industry and relevant asset ownership transactions, and the lack of analysis basis for asset liquidity, the impact of the liquidity of the valuation target on the conclusion of this valuation is not considered in this valuation.

When changes in the above-mentioned restrictions and other circumstances, such as the valuation principles followed in this valuation, affect and change the valuation conclusion, this valuation report will cease to be valid.

XI. VALUATION CONCLUSION

(I) Valuation conclusion

Guangdong Caixing Asset Evaluation and Land & Real Estate Appraisal Co., Ltd. appraised the value of the entire shareholders' equity of the Transportation Engineering Company as at 31 December 2021, the valuation benchmark date, by using the asset-based approach and the income approach, in accordance with the relevant national asset valuation laws, regulations, rules and valuation standards, in line with the principles of independence, impartiality, science and objectivity, in compliance with statutory and requisite asset valuation procedures and subject to certain assumptions. The valuation result is as follows:

1. Asset-based approach

As at 31 December 2021, the valuation benchmark date, Guangdong Province Transportation Engineering Company Limited had total assets with a book value of RMB39,858,566.36, an appraised value of RMB347,519,913.64 and an appraised appreciation amount of RMB307,661,347.28, an increase of 771.88%; total liabilities with a book value of RMB50,764,287.16 and an appraised value of RMB130,882,756.56; and net assets with a book value of RMB-10,905,720.80, an appraised value of RMB216,637,157.08 and an appraised appreciation amount of RMB227,542,877.88. (For details, please refer to the Table of Summary of Asset Valuation Result and the Verification Schedule of Asset Valuation).

Table of Summary of Asset Valuation Result

Valuation benchmark date: 31 December 2021

Appraised entity: Guangdong Province Transportation Engineering Company Limited Unit: RMB

Item		Book Value	Appraised Value	Appreciation/Depreciation	Appreciation Rate (%)
		A	B	C = B - A	$D = C / A \times 100\%$
Current assets	1	8,473,183.05	8,473,183.05	0.00	0.00
Non-current assets	2	31,385,383.31	339,046,730.59	307,661,347.28	980.27
Including: Available-for-sale financial assets	3	–	–		
Held to maturity investments	4	–	–		
Long-term receivables	5	–	–		
Long-term equity investment	6	–	–		
Investment properties	7	14,527,274.18	335,001,151.77	320,473,877.59	2,206.02
Fixed assets	8	1,979,546.57	4,045,578.82	2,066,032.25	104.37
Construction in progress	9	14,878,562.56	–	-14,878,562.56	-100.00
Engineer materials	10	–	–		
Fixed assets liquidation	11	–	–		
Productive biological assets	12	–	–		
Oil and gas assets	13	–	–		
Intangible assets	14	–	–		
Development expenditure	15	–	–		
Goodwill	16	–	–		
Long-term deferred expenses	17	–	–		
Deferred tax assets	18	–	–		
Other non-current assets	19	–	–		
Total assets	20	39,858,566.36	347,519,913.64	307,661,347.28	771.88
Current liabilities	21	49,267,332.39	49,267,332.39	0.00	0.00
Including: Other payables	22				
Sum of loan principals and interests of Guangdong Yueyun Transportation Company Limited	23	46,866,700.00	46,866,700.00	0.00	0.00
Non-current liabilities	24	1,496,954.77	81,615,424.17	80,118,469.40	5,352.10
Total liabilities	25	50,764,287.16	130,882,756.56	80,118,469.40	157.82
Net assets (shareholders' equity)	26	-10,905,720.80	216,637,157.08	227,542,877.88	2,086.45

After evaluation using the asset-based approach, the market value of the entire shareholders' equity of Guangdong Province Transportation Engineering Company Limited as at 31 December 2021, the valuation benchmark date, was RMB216,637,157.08 (In words: Renminbi two hundred and sixteen million six hundred and thirty-seven thousand one hundred and fifty-seven point zero eight).

2. *Income approach*

As of the valuation benchmark date, the book value of the owner's equity of the Transportation Engineering Company was RMB-10,905,720.80, and the appraised value of the entire shareholders' equity of the Transportation Engineering Company by using income approach was RMB215,521,000.00, and the amount of appreciation was RMB226,426,720.80.

(II) Analysis of valuation results

In this valuation, the value of the entire shareholders' equity of the Transportation Engineering Company was RMB216,637,157.08 calculated by using the asset-based approach. The value of the entire shareholders' equity of the Transportation Engineering Company calculated by using the income approach was RMB215,521,000.00. The valuation conclusion of the asset-based approach was RMB1,116,157.08 or 0.52% higher than that of the income approach. The difference was relatively small, mainly because the basis for the conclusions under two approaches is that the Three Olds Redevelopment Plan (under government purchase model) is approved by the end of the fifth year after the valuation benchmark date and all compensation funds could be fully collected within one year thereafter. Therefore, the difference between the valuation conclusions was relatively small.

Taking into account that the connotations of the two approaches were the same and the difference was small, the result of the asset-based approach could better reflect the value of the entire shareholders' equity from the perspective of cost acquisition. In combination with the purpose of this valuation, the result of the asset-based approach was selected as the final valuation result for this valuation.

In summary, the market value of the entire shareholders' equity of the Transportation Engineering Company as at 31 December 2021, the valuation benchmark date, was RMB216,637,157.08 (In words: Renminbi two hundred and sixteen million six hundred and thirty-seven thousand one hundred and fifty-seven point zero eight).

Validity period of the valuation conclusion: The valuation conclusion disclosed in this report is only valid for the economic behaviors for the valuation purposes listed in this valuation report. Pursuant to the "Practice Guidelines for Asset Valuation – Asset Valuation Report", the validity period of this valuation report is one year from 31 December 2021, the valuation benchmark date (i.e. from 31 December 2021 to 30 December 2022).

(III) Relevant explanation of the valuation conclusion

1. This valuation conclusion does not consider the impact of liquidity on the value of the valuation target.
2. The use of this valuation conclusion requires special attention to the "Valuation Assumption", "Explanations on Special Matters", and "Restrictions on the Use of the Valuation Report" in this report.

XII. EXPLANATIONS ON SPECIAL MATTERS

In this valuation, the following matters are brought to the attention of the users of the report:

(I) Use of professional reports

Guangdong Hongjian Accountant Office Co., Ltd. has issued the “Special Audit Report on Asset and Capital Verification of the Transportation Engineering Company” (GDHJ [2022] No. 5002F), based on which, the Transportation Engineering Company has reported its financial data within the scope of assets and liabilities at the valuation benchmark date. This valuation was conducted on the basis of the above audit report.

(II) Subsequent Significant Event

During the validity period, if there is any change in the quantity of assets and the valuation criteria after the valuation benchmark date, the following principles shall be applied:

1. If the quantity of assets changes, the amount of assets shall be adjusted accordingly based on the original valuation approach.
2. In the event that a change in the asset valuation criteria imposes a significant impact on the appraised value of the assets, the Clients shall promptly engage a qualified valuation agency for revaluation.
3. Due to changes in the quantity of assets and valuation criteria after the valuation benchmark date, in realizing the purpose of valuation, the Clients shall give full consideration to the actual valuation of the assets and make corresponding adjustments.

(III) Other matters needing explanation

1. According to the “Explanations on the Conditions of a Land Parcel of 23,434.00 Square Meters” provided by the Transportation Engineering Company, the land parcel of 23,434.00 m² held by the Transportation Engineering Company is included in the scope of the Three Olds Redevelopment Plan of Guangzhou with the polygon No. of “44011103285”. Users of this report should note that the conclusion of this valuation is based on the premise that the Three Olds Redevelopment Plan (under government purchase model) will be approved.
2. Users of this report should note that the approval period for the application of the Three Olds Redevelopment Plan (under government purchase model) set by this valuation is five years.

3. According to the “Detailed Regulatory Planning of Baiyun Station and its Surrounding Areas” issued by the Guangzhou Municipal People’s Government (Approval No.: Sui Fu Han [2019] No. 193), the regulatory planning usage of the land parcel of 23,434.00 m² held by the Transportation Engineering Company is adjusted from industrial use to commercial, road and greening uses. Users of this report should note that this valuation is based on the adjusted regulatory planning usage of the land parcel.
4. According to the “Explanations on the Conditions of a Land Parcel of 23,434.00 Square Meters” provided by the Transportation Engineering Company, the net land area of the land parcel of 23,434.00 m² after the adjustment of detailed regulatory planning is 14,434.00 m², the plot ratio is 4.5, and the gross floor area for calculating plot ratio is 64,964.17 m². Users of this report should note that the conclusion of this valuation is based on the premise that the net land area is 14,434.00 m², the plot ratio is 4.5 and the gross floor area for calculating plot ratio is 64,964.17 m².
5. The result of this valuation reflects that the current market value is determined based on the premise that the assets are used on an on-going concern in an open market under the purpose of this valuation, without taking into account the impact of possible future mortgage, guarantee, and the additional price for the special transaction method on the appraised value, and the impact of changes in national macroeconomic policies, natural forces and other force majeure on asset prices.
6. Users of this report should note that the value of the entire shareholders’ equity in this valuation report does not take into account the impact of liquidity on the appraised value.
7. The valuation agency and the appraisers shall not be liable for any defective matters of the appraised entity that may affect the appraised value of the assets in the absence of any special explanation upon the engagement, which the appraisers cannot generally be informed of based on their professional experience.

XIII. RESTRICTIONS ON THE USE OF THE VALUATION REPORT

- (I) The conclusion of this valuation is to, for the valuation purposes stated in this report, give a reference opinion on the market value of the valuation target as at the valuation benchmark date under the circumstances described in “Explanations on Special Matters” in the valuation report and based on the valuation assumptions and constraints stated in the valuation report. It means that this valuation report and the valuation conclusion thereof are only for reference and the opinion itself has no enforceable effect. The valuation agency and its asset appraisers bear responsibilities for the rationality of the valuation conclusion only (in line with professional valuation standards), rather than the pricing decision of the appraised entity; users of the report should correctly interpret the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

- (II) The valuation agency and its asset appraisers take no responsibility if the Clients or other users of the asset valuation report fail to use this asset valuation report in accordance with the provisions of laws and administrative regulations and the scope of use and valuation purpose set out in this asset valuation report.
- (III) Other than the Clients, the other users of the asset valuation report as agreed in the Asset Valuation Engagement Contract and the users of the asset valuation report as stipulated in the laws and administrative regulations, no other agency or individual shall be the user of this report.
- (IV) Unless the consent is obtained from the asset valuation agency, the contents of the asset valuation report shall not be extracted, quoted or disclosed in the public media, except as otherwise agreed by laws, administrative regulations and other relevant parties.

XIV. DATE OF THE ASSET VALUATION REPORT

The date to reach the conclusion of the asset valuation report is 30 May 2022.

XV. SIGNATURE AND SEAL

Guangdong Caixing Asset Evaluation and Land & Real Estate Appraisal Co., Ltd.

Legal representative:

Asset Appraiser: Ye Bojian (Registration No. 44000030)

Asset Appraiser: Hu Zhiyi (Registration No. 44220013)

30 May 2022

Pursuant to the independent valuation report provided by the Valuer and as set out in Appendix III, the value of 100% equity interest in Transportation Engineering was appraised by the Valuer using the asset-based approach as the final result for the valuation, in which certain assets held by Transportation Engineering were valued using the income approach or the market approach. Details of the major assumptions and basis on which the valuations are made and further elaborations of income approach and the market approach, are set out as below:

MAJOR ASSUMPTIONS AND BASIS**(I) Precedent assumption**

1. Transaction assumption: it is the most fundamental precedent assumption under which the asset valuation can proceed. It is assumed that the valuation target is in the process of being transacted, and the valuer carries out the valuation based on the transactional conditions of the valuation target in a simulated market.
2. Open market assumption: it is assumed that the assets are to be appraised in an open market. An open market refers to a competitive market with fully developed and refined market conditions, where a willing buyer and a willing seller are equal in status and are granted with the opportunities and time to obtain sufficient market information, and conduct transaction activities on a voluntary, rational, and not compulsory or unrestricted basis.
3. Enterprise going concern assumption: it is assumed that the appraised entity carries out operations in compliance with the laws and its business license can be extended after the expiration of the operating term. There will be no unforeseen factors that render its failure to continue as a going concern, and the assets of the appraised entity will be used according to the Three Olds Redevelopment Plan (under government purchase model).

(II) Important assumption

This valuation is carried out mainly under the following important assumptions. The valuation result shall be adjusted accordingly when the following important assumptions change significantly:

1. Assets owned by the appraised entity shall be used in accordance with the Three Olds Redevelopment Plan (under government purchase model);
2. This valuation considers neither the impact of additional costs and expenses that may be paid by the special transaction method on its appraised value, nor the impact of natural disasters and other force majeure on its appraised value;

3. The impact of inflation is not considered in this valuation. Under the assumptions of this valuation, the type of value to determine the estimation is market value based on the purpose of this valuation. All pricing standards in the estimation are the market price standards and value system as at the valuation benchmark date.

(III) Basic assumption of the valuation

1. It is assumed that the management of the appraised entity is responsible and has the capability to take on their duties and responsibilities.
2. It is assumed that the appraised entity fully complies with all the relevant prevailing laws and regulations.
3. It is assumed that the accounting policies to be adopted by the appraised entity in the future will be fundamentally consistent in all material aspects with those adopted as at the valuation benchmark date.
4. It is assumed that there will be no significant changes in the industry, region and social and economic environment in the PRC in which the appraised entity operates, and there will be no significant changes in the prevailing national laws, regulations and social, political and economic policies.
5. It is assumed that there will be no significant changes in the tariff bases and policy charges.
6. It is assumed that the changes in deposit and lending rates after the benchmark date are not considered in this valuation.
7. It is assumed that there will be no other force majeure and unforeseeable factors that have a material adverse effect on the appraised entity.

(IV) Assumptions about the valuation target

1. It is assumed that the purchase and acquisition of the assets involved in the valuation target conform to the relevant national laws and regulations.
2. It is assumed that the assets involved in the valuation target are free from material defects, liabilities and restrictions that may affect their value.
3. It is assumed that there is no material adverse effect on the value of the relevant assets involved in the valuation target.

4. It is assumed in this valuation that the net land area of the land parcel of 23,434.00 m² after the adjustment of detailed regulatory planning is 14,434.00 m², the plot ratio is 4.5, and the gross floor area for calculating plot ratio is 64,964.17 m² and the land parcel is for commercial use.
5. It is assumed in this valuation that the approval period for the application of the Three Olds Redevelopment Plan (under government purchase model) in relation to the land parcel of 23,434.00 m² is five years.
6. Although the valuation procedures we have implemented include the survey of the appraised assets, such surveys are only limited to the observation of the visible parts of the appraised assets, as well as random checks and limited understanding of relevant management, use and maintenance records, and no other professional testing and identification methods have been adopted.

(V) Special assumption

This valuation is only based on the existing operating capacity as of the benchmark date, assuming that there will be no changes in financial leverage by taking no account of the expansion of operating capacity due to the management and operating strategies and investment increase in the future.

Precedent assumption regarding the income approach for investment properties-buildings in adopting the asset-based approach:

Three Olds Redevelopment Plan will be approved after five years and the original property still has five years of rental income. In other words, the rental business of the Company will be ordinarily carried out within five years since the valuation benchmark date, and all above-ground buildings will be demolished after five years in accordance with the Three Olds Redevelopment Plan (government purchase).

Precedent assumption regarding the income approach for investment properties-land in adopting the asset-based approach:

For the land parcel of 23,434.00 m² that is included in the scope of the Three Olds Redevelopment Plan, the “Explanations on the Conditions of a Land Parcel of 23,434.00 Square Meters” provided by the Transportation Engineering Company showed that the net land area of the land parcel of 23,434.00 m² after the adjustment of detailed regulatory planning is 14,434.00 m², the plot ratio is 4.5, and the gross floor area for calculating plot ratio is 64,964.17 m². The valuation is based on the premise that the net land area is 14,434.00 m², the plot ratio is 4.5 and the gross floor area for calculating plot ratio is 64,964.17 m², and that the land will be used for commercial services. It is assumed in this valuation that the approval period for the application of the Three Olds Redevelopment Plan (under government purchase model) in relation to the land parcel is five years and all compensation funds could be fully collected within one year thereafter.

*(I) Particulars of the current assets valuation**(1) Valuation of cash at bank and on hand*

The book value of cash at bank and on hand was RMB8,432,194.09, among which cash on hand amounted to RMB9,394.02 and centralised deposits amounted to RMB8,422,800.07.

Cash on hand amounting to RMB9,394.02 was deposited in the financial department of the Company and on-site verification shall be conducted by the valuer by using cash journal to tie it back to the valuation benchmark date.

The book value of centralised deposits amounted to RMB8,422,800.07, all being under two Renminbi accounts opened at Guangzhou Branch of Industrial and Commercial Bank of China. The valuer verified the existence of the bank accounts by reviewing deposit journals, deposit statements and balance reconciliation statements and reconciling with the breakdown of assets under valuation. After reviewing the deposit statement on the valuation benchmark date, the balance needed no adjustments, and the balance of the statement is consistent with the book value of the centralised deposits.

Since the cash at bank and on hand are equal to the present value at any time, the book value after the checking and verification is used as the appraisal value during the valuation, and the appraisal value of the cash at bank and on hand is RMB8,432,194.09.

(2) Valuation of other receivables

The appraisal value of other receivables = book balance of other receivables – losses of bad debt risks.

The carrying amount of other receivables amounted to RMB25,239.89. As a provision of RMB0 was made for the bad debt, the net book value of other receivables amounted to RMB25,239.89, which mainly represent current payments and advance expenses for utilities, all aged less than two years.

On condition that other receivables have been verified and taking into account the elements derived from history data and current investigation, the valuer has made a specific analysis about the amount, date and reason of the receivables, recovery particulars of the amount, as well as the liquidity, credit and current operational conditions of the debtors, and has also verified the lending entity, amount, terms and interest rate, before it finally assessed risk losses using both individual identification method and aging analysis method.

The aging of all other receivables is less than 2 years and 7 of them is due within 1 year, mainly representing current payments and advance expenses for utilities, which are incurred in ordinary course of business and can all be recovered. Through individual identification and aging analysis, the appraisal value of receivables is RMB25,239.89 and the losses after appraisal amount to RMB0.

(3) *Valuation of other current assets*

The carrying amount of other current assets amounted to RMB15,749.07, which represent deductible input VAT. After reviewing financial statements, tax payment receipt and other materials, the valuer determines that the appraisal value equals verified book balance.

This valuation adopts the verified book balance as the appraisal value. After valuation, the appraisal value of other current assets amounted to RMB15,749.07.

(II) *Particulars of non-current assets valuation*

(1) *Investment properties – buildings*

Basically, it is assumed in this valuation that the Three Olds Redevelopment Plan will be approved after five years and the original property still has five years of rental income. In other words, the rental business of the Company will be ordinarily carried out within five years since the valuation benchmark date, and all above-ground buildings will be demolished after five years in accordance with the Three Olds Redevelopment Plan (government purchase). Therefore, the income approach is used in this valuation to obtain the net cash flow derived from such rentable property in five years. In addition to self-used properties, some other few vacant properties have been unable to be rented out due to poor maintenance conditions. It is assumed in this valuation that the vacant properties will not be able to generate income within 5 years of the application period. The appraisal value is RMB13,512,320.17.

Specific calculation procedure is set forth below:

(1) Operating income

Operating income is calculated based on the rental as at the valuation benchmark date.

(2) Operating cost, taxes and surcharges, management expense, financial expense and other costs are calculated taking in to account the actual situation and according to the forecast information.

- (3) Operating profit = operating income - operating cost - taxes and surcharges - management expense - financial expense

Total profit = operating profit + non-operating income - non-operating expense

Net profit = total profit - income tax expense

Net cash flows = net profit + depreciation and amortization costs

Net cash flows in each of the years from 2022 to 2026 are calculated based on the above formula and discount has been applied.

After evaluation, the appraised value of investment properties-buildings was RMB13,512,320.17, and its book value was RMB6,267,642.21, with an appraised appreciation amount of RMB7,244,677.96. The appreciation was mainly due to the fact that the buildings were acquired earlier and were recorded at cost and this valuation was based on the five-year discounted net cash flows that were achievable at the valuation benchmark date, thus resulting in the appreciation.

(2) *Investment properties – Land*

① Assumptions

①-1. For the land parcel of 23,434.00 m² included in the scope of the Three Olds Redevelopment Plan, according to the Explanations on the Conditions of a Land Parcel of 23,434.00 Square Meters provided by the Transportation Engineering Company, the net land area of the land parcel of 23,434.00 m² after the adjustment of detailed regulatory planning is 14,434.00 m², the plot ratio is 4.5, and the gross floor area for calculating plot ratio is 64,964.17 m². It is assumed in this valuation that the net land area is 14,434.00 m², the plot ratio is 4.5, and the gross floor area for calculating plot ratio is 64,964.17 m² and the land parcel is for commercial use.

① -2. It is assumed in this valuation that the approval period for the application of the Three Olds Redevelopment Plan is five years, and would be under government purchase in the year of approval, and all compensation funds could be fully collected within one year thereafter.

② Valuation methods

1. Determination of comparable cases

Name	Comparable case 1: Lots No. AB2904011, AB2904013, AB2904027, Guangzhou Design City Phase II, Jiangxia Village, Huangshi Street, Baiyun District	Comparable case 2: Lots No. AB2115017 and AB2115022, Mobile Internet Industrial Park, Wanggang Village, Jiahe Street, Baiyun District	Comparable case 3: Lot No. AB2901073, Huangbian Village, Helong Street, Baiyun District
Status of transaction	Listing for sale	Listing for sale	Listing for sale
Date of transaction	14 December 2021	10 February 2021	11 December 2019
Total transaction price (RMB0,000)	124,167.00	52,110.00	13,761.00
Unit price of accommodation value (RMB/m ²)	9,800.00	8,320.00	8,770.00
Land area (/m ²)	26,959.00	13,158.00	4,497.00
Plot ratio	≤4.7	≤4.76	≤3.5
Use	Commercial land (B1/B2)	Commercial land (B1/B2)	Commercial land (B1/B2)
Assignment period	40 years	40 years	40 years
Current status of land parcels	Five clearances beyond the red lines with ground leveling within the red lines	Five clearances beyond the red lines with ground leveling within the red lines	Five clearances beyond the red lines with ground leveling within the red lines
Bidder	Guangzhou New City Construction Investment Development Co., Ltd. (廣州新城建投資 發展有限公司)	Guangzhou Baiyun Shanglv Zhili Investment Operation Co., Ltd. (廣州白雲 尚律至理投資運營有 限公司)	The First Engineering Company of cccc Fourth Harbor Engineering Co., Ltd
Description of selected case	From 2019 to 2021, the average price of listing-for-sale transactions (unit price of accommodation value) of commercial land in the urban area of Guangzhou was mostly concentrated in the range of RMB9,000 to 20,000/m ² , the three comparable cases selected this time were located in the publicly listed commercial area in Baiyun District, Guangzhou, and the transaction time was closer to the valuation benchmark date, and the difference between the transaction price and the above average price was small. In terms of the location, use, transaction mode and price implication of the comparable cases, they were similar to the valuation target and were comparable.		

2. Selection of comparable factors

Table of conditions of comparable factors

Factors	Target land	Case 1	Case 2	Case 3	
Name	No. 315 Guanghua 5th Road, Baiyun District	Lots No. AB2904011, AB2904013, AB2904027, Guangzhou Design City phase II, Jiangxia Village, Huangshi Street, Baiyun District	Lots No. AB2115017 and AB2115022, Mobile Internet Industrial Park, Wanggang Village, Jiahe Street, Baiyun District	Lot No. AB2901073, Huangbian Village, Helong Street, Baiyun District	
Location	No. 315 Guanghua 5th Road, Baiyun District	Jiangxia Village, Huangshi Street, Baiyun District	Wanggang Village, Jiahe Street, Baiyun District	Huangbian Village, Helong Street, Baiyun District	
Transaction price (per square feet) (RMB/m ²)	To be assessed	9,800.00	8,320.00	8,770.00	
Use	Commercial land	Commercial land	Commercial land	Commercial land	
Transaction date	31 December 2021	14 December 2021	10 February 2021	11 December 2019	
Transaction method	Normal	Listing for sale	Listing for sale	Listing for sale	
Transaction status	Normal	Normal	Normal	Normal	
Concentration of business	Distance to city-level commercial service center, district-level commercial service center and community-level commercial service center	Good commercial prosperity with Paso Plaza, Gate 5 Mall and CapitaMall nearby	General commercial prosperity with Baiyunhui Plaza nearby	Less commercial prosperity with Jiahe Plaza nearby	Less commercial prosperity with Anhuahui Mall
Regional factors	Completeness of public facilities	Distance to public facilities such as hospitals, squares, schools, gymnasiums, etc.	Good supporting facilities with Guangzhou Children's Park, Baiyun Wenhua Plaza and Baiyun Mountain Scenic Area in the vicinity	General supporting facilities with Guangzhou Intermediate People's Court, Guangdong Provincial Work Injury Rehabilitation Hospital, Auto Parts City and other facilities nearby	General supporting facilities with Guangzhou Intermediate People's Court, Guangdong Provincial Work Injury Rehabilitation Hospital, Auto Parts City and other facilities nearby

	Factors	Target land	Case 1	Case 2	Case 3	
Regional factors	Convenience of external transportation	Number, width and traffic volume of main (branch) traffic roads	It is adjacent to the airport expressway, the convenience of external transportation is good; and it is about 2.2 km away from the Baiyun Park Station of Metro Line 2, the convenience of public transportation is good. The convenience of comprehensive transportation is good	It is about 3 km away from the airport expressway, the convenience of external transportation is general; and it is about 1 km away from Jiangxia Station of Metro Line 2, the convenience of public transportation is general. The convenience of comprehensive transportation is general	It is adjacent to Helong 2nd Road, about 1 km away from the main road of South China Expressway, the convenience of external transportation is general; and it is about 1.2 km away from Jiahewanggang Station of Metro Line 2, the convenience of public transportation is general. The convenience of comprehensive transportation is general	It is about 0.5 km away from the main road of South China Expressway, the convenience of external transportation is good; and it is about 0.3 km away from the Baiyun Avenue North Station of Metro Line 3, the convenience of public transportation is good. The convenience of comprehensive transportation is good
	Infrastructure facilities	Water supply, drainage, power supply and heat supply, gas supply, telecommunications	Well-developed infrastructure	Well-developed infrastructure	Well-developed infrastructure	Well-developed infrastructure
	Residential and business atmosphere	Concentration of commercial and residential communities, concentration of business	The surrounding areas are mostly old factories and urban villages with poor living atmosphere and general business atmosphere	The surrounding areas are mostly old factories and urban villages with poor living atmosphere and general business atmosphere	The surrounding areas are mostly old factories and urban villages with poor living atmosphere and general business atmosphere	The surrounding areas are mostly old factories and urban villages with poor living atmosphere and general business atmosphere
	Environmental quality	Greening, air pollution level, noise pollution and public security	General planning of surrounding buildings, general greening, general air quality and general environmental landscape	General planning of surrounding buildings, general greening, general air quality and general environmental landscape	General planning of surrounding buildings, general greening, general air quality and general environmental landscape	General planning of surrounding buildings, general greening, general air quality and general environmental landscape
	Planning prospects	Regional planning prospects	Within the surrounding area of Guangzhou New Railway Station with good prospects	General	General	General

		Factors	Target land	Case 1	Case 2	Case 3	
Specific factors	Landform, geological conditions	Flatness of the landform, adequacy of the geological carrying capacity	Flat landform, general geological conditions	Flat landform, general geological conditions	Flat landform, general geological conditions	Flat landform, general geological conditions	
	Land area	Adaptability to planned buildings	19884 (good area, more suitable for use)	26959 (good area, more suitable for use)	13158 (general area, suitable for use)	4497 (small area, less suitable for use)	
	Land shape	Whether the shape is regular and conducive to the layout of the building	Less regular	Quite regular	Quite regular	Quite regular	
	Road connections	Whether the road nearby is a main road, a branch road or a side branch road	Frontage on one road, the Airport Road	Frontage on one road, the Airport Avenue	No frontage on road	Frontage on one road	
	Way to connect the road	Adjacent or not	Adjacent	Not adjacent	Not adjacent	Not adjacent	
	Development level	Degree of perfection of land development within the land parcel	Five-connection and one leveling	Five-connection and one leveling	Five-connection and one leveling	Five-connection and one leveling	
	Planning restrictions	Existence of mandatory planning restrictions	Setting at self-owned 40%, the self-owned part cannot be separated for applying certificates	Self-owned 30%, the self-owned part cannot be separated for applying certificates	Self-owned 50%, the self-owned part cannot be separated for applying certificates	Self-owned 100%, it cannot be separated for applying certificates	
	Best and most efficient use of land	Achievement of the most efficient use	Best	Best	Best	Best	
	Plot ratio	Plot ratio	Size of the plot ratio	Setting at 4.5	4.7	4.76	3.5
	Life of the land	Useful life of the land	Remaining useful life of the land	40	40	40	40

Table of Comparative Factor Condition Indexes

Factors	Target land	Case 1	Case 2	Case 3	
Name	No. 315 Guanghai 5th Road, Baiyun District	Lots No. AB2904011, AB2904013, AB2904027, Guangzhou Design City Phase II, Jiangxia Village, Huangshi Street, Baiyun District	Lots No. AB2115017 and AB2115022, Mobile Internet Industrial Park, Wanggang Village, Jiahe Street, Baiyun District	Lots No. AB2901073, Huangbian Village, Helong Street, Baiyun District	
Location	No. 315 Guanghai 5th Road, Baiyun District	Jiangxia Village, Huangshi Street, Baiyun District	Wanggang Village, Jiahe Street, Baiyun District	Huangbian Village, Helong Street, Baiyun District	
Transaction price (per square feet) (RMB/m ²)	To be assessed	9,800.00	8,320.00	8,770.00	
Use	100	100	100	100	
Transaction date	100	100	102	101	
Transaction method	100	100	100	100	
Transaction status	100	100	100	100	
Concentration of business	Distance to city-level commercial service center, district-level commercial service center and community-level commercial service center	100	98	96	96
Completeness of public facilities	Distance to public facilities such as hospitals, squares, schools, gymnasiums, etc.	100	98	98	98
Convenience of external transportation	Number, width and traffic volume of main (branch) traffic roads	100	98	98	100
Infrastructure facilities	Water supply, drainage, power supply and heat supply, gas supply, telecommunications	100	100	100	100

Regional factors

	Factors	Target land	Case 1	Case 2	Case 3	
Regional factors	Residential and business atmosphere	Concentration of commercial and residential communities, concentration of business	100	100	100	100
	Environmental quality	Greening, air pollution level, noise pollution and public security	100	100	100	100
	Planning prospects	Regional planning prospects	100	93	93	93
	Landform, geological conditions	Flatness of the landform, adequacy of the geological carrying capacity	100	100	100	100
Specific factors	Land area	Adaptability to planned buildings	100	100	98	96
	Land shape	Whether the shape is regular and conducive to the layout of the building	100	102	102	102
	Road connections	Whether the road nearby is a main road, a branch road or a side branch road	100	98	96	98
	Way to connect the road	Adjacent or not	100	98	98	98
	Development level	Degree of perfection of land development within the land parcel	100	100	100	100
	Planning restrictions	Existence of mandatory planning restrictions	100	98	102	92
	Best and most efficient use of land	Achievement of the most efficient use	100	100	100	100
Plot ratio	Plot ratio	Size of the plot ratio	100	100	100	100
Life of the land	Useful life of the land	Remaining useful life of the land	100	100	100	100

Prepare the table of correction coefficients for the comparative factors based on the specific conditions of various factors of the valuation targets and the comparative examples:

Factors	Case 1	Case 2	Case 3
Name	Lots No. AB2904011, AB2904013, AB2904027, Guangzhou Design City Phase II, Jiangxia Village, Huangshi Street, Baiyun District	Lots No. AB2115017 and AB2115022, Mobile Internet Industrial Park, Wanggang Village, Jiahe Street, Baiyun District	Lots No. AB2901073, Huangbian Village, Helong Street, Baiyun District
Correction item	Case A	Case B	Case C
Unit price	9,800.00	8,320.00	8,770.00
Correction of use	100	100	100
Correction of transaction date	100	102	101
Correction of transaction method	100	100	100
Correction of transaction status	100	100	100
Correction of regional factors	87	85	87
Correction of specific factors	96	96	86
Correction of plot ratio	100	100	100
Correction of life	100	100	100
Correction results	11,734.00	10,400.00	11,839.00

Adjusted unit price = RMB11,734.00/m² for case 1, adjusted unit price = RMB10,400.00/m² for case 2, and adjusted unit price = RMB11,839.00/m² for case 3. After evaluation, the price of the land was obtained using simple arithmetic mean for the land to be appraised as the valuation targets are similar to cases 1, 2 and 3 in terms of their area or environment, as follows:

Floor price = (11,734.00 + 10,400.00 + 11,839.00) ÷ 3 = RMB11,320.00/m²
(round to the nearest tens)

Based on the average growth rate of land for commercial use in Guangzhou (2017-2021), the average growth rate of land for commercial use in Guangzhou is expected to reach 2.96% in the next five years, as follows:

$$\text{Unit floor price of the land after 5 years} = 11,320.00 \times (1 + 2.96\%)^5 = \text{RMB}13,100.00/\text{m}^2 \text{ (round to the nearest tens)}$$

It is stipulated in Article 12 of the Notice of the General Office of the People's Government of Guangzhou on Circulating the Implementation Rules for Guangzhou's Further Promotion of Urban Renewal Work (Sui Fu Ban Gui [2019] No. 5) that "if old factories to be reconstructed are taken back by the government and changed to operating land such as residential or commercial service facilities, the compensation for the portion of residential land with gross plot ratio of below 2.0 (inclusive) and the portion of commercial service facilities land with gross plot ratio of below 2.5 (inclusive) can be calculated at a price not higher than the public transfer price or 60% of the market appraised price for new planned use. The compensation for the portion of residential land with gross plot ratio of above 2.0 and the portion of commercial service facilities land with gross plot ratio of above 2.5 can be calculated at the public transfer price or 10% of the market appraised price for new planned use."

$$\text{Compensation funds} = 23,434.00 \times 2.5 \times 13,100.00 \times 60\% + (14,434.00 \times 4.5 - 23,434.00 \times 2.5) \times 13,100.00 \times 10\% = \text{RMB}468,820,180.00$$

Plans under government purchase model shall undergo land leveling and soil environmental investigation and risk assessment. Following market research, the cost of demolishing the existing plants shall be RMB90.00/m² (based on a total floor area of 20,827.82 m²) and the cost of soil environmental investigation and risk assessment shall be RMB16.00/m² (based on a land area of 23,434.00 m²), as follows:

$$\text{Demolition cost} = 90.00 \times 20,827.82 = \text{RMB}1,874,503.80$$

$$\text{Soil environmental investigation and risk assessment costs} = 16.00 \times 23,434.00 = \text{RMB}374,944.00$$

$$\text{Deducting the compensation for land leveling} = 468,820,180.00 - 1,874,503.80 - 374,944.00 = \text{RMB}466,570,732.20$$

This valuation is based on the premise that the Three Olds Redevelopment Plan (under government purchase model) will be approved and the compensation funds will be fully collected after one year, i.e. the compensation funds will be collected in the sixth year from the benchmark evaluation date, and discounting it with a discount rate of 6.465% after taking into account the time value of funds, which means the discounted value of the compensation received for the Three Olds Redevelopment Plan as follows:

$$466,570,732.20 \div (1 + 6.465\%)^6 = \text{RMB}320,019,766.00$$

Accordingly, the market value of the land use rights of RMB320,019,766.00 for the land with an area of 23,434.00 m² following the Three Olds Redevelopment Plan is determined on the premise as mentioned above.

Similarly, the market approach is used to obtain the floor price (RMB1,670.00/m²) and the total price (RMB1,469,065.60) for an industrial land, i.e. Lot 275 at Guanghua Road, located the west side of the Provincial Highway Machinery Factory and the west of Guanghua Road, Baiyun District.

After evaluation, the appraised value of the land use rights of investment properties amounted to RMB321,488,831.60 and its carrying amount amounted to RMB8,259,631.97, representing an amount of appreciation of RMB313,229,199.63. The amount of appreciation was mainly attributable to a site area of 23,434.00 m² at book value, which was originally of industrial use and was included in the scope of the “Three-old Redevelopment”. This valuation is based on the premise that the land will be converted to commercial land, which led to a substantial amount of appreciation.

(3) *Fixed assets-buildings and structures*

the appraised values of items 1-2 and 4-8 in the Fixed Assets – Breakdown for Buildings and Structures Valuation have been included in the Investment Properties – Breakdown for Buildings Valuation; item 3 is the warehouses and equipment rooms at basement 1/F and 2/F of No. 1765 Airport Road, Baiyun District. The market approach is used to obtain its market price. The aggregated appraised value was RMB3,575,508.82 and the market unit price was RMB4,031.06/m².

After evaluation, the appraised value of fixed assets – buildings and structures amounted to RMB3,575,508.82 and its carrying amount was RMB1,663,837.28, representing an amount of appreciation of RMB1,911,671.54. The amount of appreciation was mainly attributable to an amount of appreciation arising from the properties obtained at an early stage, which was driven by a general rise in the property market.

(4) *Fixed assets – vehicles*

Information on vehicles:

Name: Volkswagen Magotan Cars;

Models: sedan;

License plate number: YueA375HL(粤A375HL);

Body structure: sedan(4-door+5 seats);

Engine:1.4T 150 Hp L4;

Gearbox: 7-Speed Dry Dual Clutch Transmission;

Date of registration: 29 September, 2019.

- a. Determine the full replacement price: Based on search results, the market price of this model is RMB176,100.00 (VAT inclusive), the VAT rate is 13%, the automobile purchase tax is 10%; examination fee for license plate number and miscellaneous charge is RMB500.

The appraised entity is a general taxpayer and may enjoy the credit of input tax under the national preferential policies. The valuation target in this valuation is the vehicles purchased in September 2019. The replacement cost in this valuation is the value after deduction of VAT at the tax rate of 13%; the replacement price is tax exclusive.

$$\text{Full replacement price} = 176,100.00 \div 1.13 \times (1 + 10\%) + 500 = \text{RMB}171,924.78$$

- b. Determine the depreciation rate

This vehicle is for commercial use and is mainly used in Guangzhou for commercial purposes. It is in normal condition of use with moderate physical depreciation. Accordingly, the economic life in this valuation is 15 years. Therefore, the remaining life of this vehicle is 12.67 years, and the annualized depreciation rate = $12.67 \div 15 \times 100\% = 84\%$ (rounded to the nearest whole number).

This vehicle is under general repair and maintenance work, and showed good performance during on-site inspection. This vehicle is new in terms of the appearance. Based on on-site inspection, the depreciation rate is 88%. Accordingly, the integrated depreciation rate is $(84\% + 88\%) \div 2 = 86\%$ (rounded to the nearest whole number).

- c. Calculation of appraised value:

Appraised value = full replacement price \times depreciation rate

Appraised value of the vehicle = $171,924.78 \times 86\% = \text{RMB}147,570.00$ (rounded to the nearest whole number)

The process of evaluation for other vehicles is same as that for this vehicle.

- d. Conclusion of the evaluation

After evaluation, the appraised value of fixed assets – vehicles is RMB226,370.00 and its carrying amount is RMB271,903.88. The amount of appreciation is RMB92,093.34, representing an appreciation rate of 68.58%. The appreciation is mainly because different depreciation rates are used for the duration of depreciation in finance and accounting and for the economic life for the purpose of the evaluation, resulting in appreciation in this evaluation that leads to an appreciation.

(5) *Fixed assets – electronic equipment*

- ① Determine the replace cost

Name: Dell Notebook

Key technical parameters:

Types of products: Notebook;

Model: XPS-15

As electronic equipment is sourced locally and is generally come without installation or installed by the vendor, the price fluctuates with market trends, with the actual selling price to be determined by agreement through negotiation. Based on search results of market price, the current replacement price of the comparable computers with similar functions for similar use is RMB6,920.00 (tax exclusive).

② Determine the depreciation

The economic life of such equipment is 6 years. This equipment was purchased and used from April 2019 and has been used for 2.71 years. The remaining life is 3.29 years. Accordingly, the theoretical depreciation rate is $3.29 \div 6 = 55\%$.

This equipment is under general repair and maintenance work, and showed satisfactory performance during on-site inspection. This equipment is satisfactory in terms of the appearance. Based on on-site inspection, the depreciation rate is 54%.

Accordingly, the integrated depreciation rate-theoretical depreciation rate $\times 50\%$ + depreciation during inspection $\times 50\% = 54\%$.

③ Calculation of appraisal value

Net appraisal value = $6,920.00 \times 54\% = \text{RMB}3,740.00$ (round to the nearest tens)

The process of evaluation of other electronic equipment is same as that for this equipment.

④ EVALUATION CONCLUSION

After the evaluation, the appraised value and carrying amount of the fixed asset – electronic equipment amounted to RMB243,700.00 and RMB90,268.05, respectively, representing an appraised appreciation amount of RMB62,267.37. The appreciation was primarily due to the difference in calculation methodology for depreciation between accounting and appraisal.

(6) *Construction in progress*

The appraisers verified the relevant sub-accounts, entry vouchers, feasibility study reports, preliminary design and other materials of the construction in progress on the site, inspected the physical objects corresponding to the construction in progress and discussed with the project engineering technicians and other relevant personnel, thereby confirming the construction in progress represents the labor cost, survey and design fee, research fee and other fees of the Three Olds Redevelopment project before 2015. The Three Olds Redevelopment project has not been implemented as of the valuation benchmark date. The conclusion of this valuation is based on the premise that the Three Olds Redevelopment Plan is under government purchase model. In order to avoid repeated valuation of assets, the construction in progress is included in the calculation of investment properties – land use rights in this valuation. As such, the appraised value of construction in progress is RMB0.

*(III) Appraisal Description for Current Liabilities**(1) Accounts payable and other payables*

The carrying amount of accounts payable amounted to RMB75,774.75, which represent repairing expenses payable and others and were accrued in December 2021.

The carrying amount of other payables amounted to RMB48,195,765.32, which mainly represent shareholders' loan, quality warranty funds of works, lease deposits, etc. with aging mostly below 5 years.

The appraisers verified book records, randomly checked some original vouchers and other relevant information and verified the authenticity of those transactions, aging and business details and amounts. The appraisers issued a letter to give the conclusion that the amounts in the accounts, tables and vouchers are consistent.

On the basis of verifying the correctness of the trade payables, the appraiser analyzed the amount, timing and reason of occurrence of each transaction and the current operation condition and management of the creditors with the help of historical information and investigations and made a detailed analysis on the necessity of each payment so as to determine the appraised value.

Confirmed by the evaluation, the appraised values of accounts payable and other payables were determined as RMB75,774.75 and RMB48,195,765.32, respectively.

(2) Receipts in advance

The carrying amount of receipts in advance amounted to RMB195,046.10, which represent rental received in advance, parking fees, etc. and were accrued in December 2021.

According to the detailed checklist provided by the enterprise, the appraisers checked the balance sheet, the general ledger, the subsidiary ledgers and the detailed valuation table prepared by the enterprise, and randomly checked the vouchers to verify whether the amounts, substance, quantities and dates are consistent with the account statements. Confirmed by the evaluation, the appraised value of receipts in advance was determined as RMB195,046.10.

(3) Employee benefits payable

The carrying amount of employee benefits payable amounted to RMB337,613.00, which represent labor union fees payable, post-employment benefit due within one year, etc. and were accrued in December 2021.

According to the detailed checklist provided by the enterprise, employee benefits payable were checked against the subsidiary ledgers, general ledger and balance sheet, and files and documents of the enterprise payrolls and welfare benefits, medical and social insurance funds, labor union expenses were collected, sorted out and verified in order to judge their authenticity. After the verification, it was found out that the accounts were in agreement.

Confirmed by the evaluation, the appraised value of employee benefits payable was determined as RMB337,613.00.

(4) Taxes payable

The carrying amount of taxes payable amounted to RMB463,133.22, which represent corporate income tax, property tax payable, etc.

According to the detailed checklist provided by the enterprise, taxes payable were checked against the subsidiary ledgers, general ledger and balance sheet, and the relevant tax filing materials, tax basis, tax payment vouchers and relevant accounting books were audited to verify the correctness of the balance on the base date. After the verification, it was found out that the accounts are in agreement and the taxes payable by the enterprise are in compliance with the provisions of the relevant national tariff laws and accounting policies. During the evaluation, the carrying amounts were checked and verified as the appraisal values.

Confirmed by the evaluation, the appraised value of taxes payable was determined as RMB463,133.22.

(IV) Appraisal Description for Non-current Liabilities

(1) Long-term employee benefits payable

The carrying amount of long-term employee benefits payable amounted to RMB1,496,954.77, which represent post-employment benefits.

According to the detailed checklist provided by the enterprise, long-term employee benefits payable were checked against the subsidiary ledgers, general ledger and balance sheet, and files and documents of the enterprise payrolls and welfare benefits, post-employment benefits, etc. were collected, sorted out and verified in order to judge their authenticity. After the verification, it was found out that the accounts were in agreement. During the evaluation, the carrying amounts were checked and verified as the appraisal values.

Confirmed by the evaluation, the appraised value of long-term employee benefits payable was determined as RMB1,496,954.77.

(2) *Deferred income tax liabilities*

The carrying amount of deferred income tax liabilities amounted RMB0, which are the income tax payable on the value-added portion of the investment properties measured using the fair value model. The income tax rate is 25%.

As mentioned above, the appreciation of the investment properties amounted to RMB320,473,877.59, then:

$$\text{RMB}320,473,877.59 \times 25\% = \text{RMB}80,118,469.40$$

Confirmed by the evaluation, the appraised value of deferred income tax liabilities was determined as RMB80,118,469.40.



廣東粵運交通股份有限公司

Guangdong Yueyun Transportation Company Limited*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 03399)

NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2022 Second Extraordinary General Meeting (“**EGM**”) of Guangdong Yueyun Transportation Company Limited (the “**Company**”) will be held at 24/F, Yueyun Building, No. 3 Zhongshan Second Road, Guangzhou, Guangzhou Province on 20 October 2022 at 3:00 p.m. for the purpose to consider and, if thought fit, pass the following resolution by its Shareholders. Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 28 September 2022.

ORDINARY RESOLUTION

To consider and approve the following by way of ordinary resolution:

1. “**THAT:**

- (a) the execution of and the performance of the obligations by the Company under the equity transfer agreement dated 10 August 2022 (“**Equity Transfer Agreement**”) entered into between the Company and Guangdong Litong Development and Investment Company Limited (“**Guangdong Litong**”) in relation to the Company’s disposal of 100% equity interest in Guangdong Province Transportation Engineering Company Limited, a wholly-owned subsidiary of the company, to Guangdong Litong be and is hereby approved, ratified and confirmed;
- (b) any one of the directors of the Company (“**Director(s)**”) be authorized to take all steps necessary or expedient in their opinion, for and on behalf of the Company, to implement and/or give effect to the terms of the Equity Transfer Agreement; and

NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING

- (c) any one of the Directors be authorized to execute, for and on behalf of the Company, all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Equity Transfer Agreement and to agree to any amendment to any of the terms of the Equity Transfer Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company.”

Yours faithfully,

By order of the Board

Guangdong Yueyun Transportation Company Limited

Guo Junfa

Chairman of the Board

Guangzhou, the PRC

28 September 2022

Notes:

1. In accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all resolutions to be proposed, and if thought fit, to be passed at the EGM, shall be passed by way of poll.
2. For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 17 October 2022 to 20 October 2022, both days inclusive, during which period no transfers of shares of the Company will be registered. Holders of H shares and domestic shares of the Company whose names appear on the register of members of the Company on 20 October 2022 are entitled to attend the EGM. All transfer documents accompanied by relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 14 October 2022.
3. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in his stead. A proxy need not to be a Shareholder of the Company.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.
5. In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the registered office of the Company (for holders of domestic shares of the Company) or at the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares of the Company) not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if he so wishes.
6. Shareholders or their proxies attending the EGM shall produce their identity documents.
7. As at the date of this notice, the Board comprises Mr. Guo Junfa, Mr. Zhu Fang, Mr. Huang Wenban, Mr. Su Huacai and Mr. Hu Xianhua as executive directors of the Company, Mr. Chen Min and Mr. Chen Chuxuan as non-executive directors of the Company, and Mr. Su Wujun, Ms. Huang Yuan, Mr. Shen Jialong and Mr. Zhang Xiangfa as independent non-executive directors of the Company.

* *For identification purposes only*