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If you have sold or transferred all your shares in Grand Baoxin Auto Group Limited, you should at once hand this circular and the accompanying proxy form to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**GRAND BAOXIN AUTO GROUP LIMITED****廣匯寶信汽車集團有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock code: 1293)****MAJOR TRANSACTION
DISPOSAL OF THE TARGET COMPANY**

Unless the context otherwise requires, capitalised terms used in this cover shall have the same meanings as defined in this circular.

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

The Company has obtained written Shareholders' approval for the Equity Transfer Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be held to approve the Equity Transfer Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

26 August 2024

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the meaning below:

“Board”	the Board of directors of the Company
“CGA”	China Grand Automotive Services, Co., Ltd (廣匯汽車服務集團股份有限公司), a company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (SSE Stock Code: 600297)
“China Grand Auto (Hong Kong)”	China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司), a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of CGA
“Company”	Grand Baoxin Auto Group Limited (廣匯寶信汽車集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1293)
“Completion”	the completion of the Disposal
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Disposal”	the proposed disposal of the entire equity interest in Target Company by Vendor to the Purchaser as contemplated under the Equity Transfer Agreement
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement dated 12 August 2024 entered into between the Purchaser and the Vendor
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	any person(s) or company(ies) or their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not core connected persons of the Company and are third parties independent of the Company and its core connected persons in accordance with the Listing Rules

DEFINITIONS

“Land”	a land with permitted use area of 5,176 sq.m. where the Target Property erected thereon
“Latest Practicable Date”	25 August 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	浙江國田服飾有限公司 (Zhejiang Guotian Clothing Co., Ltd.*), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shareholder(s)”	holder(s) of the shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	杭州寶信置業有限公司 (Hangzhou Baoxin Enterprise Co., Ltd.*), a company established in the PRC with limited liability
“Target Property”	the property located at No. 1728 Shixin North Road, Xiaoshan District, Hangzhou City, Zhejiang Province with a total gross floor area of 19,419.63 sq.m.
“Vendor”	杭州寶信汽車銷售服務有限公司 (Hangzhou Baoxin Automobile Sales and Services Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

LETTER FROM THE BOARD



GRAND BAOXIN AUTO GROUP LIMITED

廣匯寶信汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1293)

Board of Directors:

Executive Directors

Mr. Ma Fujiang
Mr. Wang Sheng
Mr. Ding Yu
Ms. Xu Xing

Independent Non-executive Directors

Ms. Liu Wenji
Ms. Liu Yangfang
Mr. Ho Hung Tim Chester

Registered Office:

89 Nexus Way, Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

*Principal Place of Business and
Head Office in the PRC:*

No. 3998 Hongxin Road
Minhang District
Shanghai, PRC

Principal Place of Business in Hong Kong:

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

26 August 2024

To the Shareholders

Dear Sir and Madam,

**MAJOR TRANSACTION
DISPOSAL OF THE TARGET COMPANY
AND THE TARGET COMPANY**

1. INTRODUCTION

Reference is made to the Announcement dated 12 August 2024 in relation to the Disposal.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) financial information of the Group; and (iii) other information required to be disclosed under the Listing Rules.

LETTER FROM THE BOARD

2. THE DISPOSAL

On 12 August 2024 (after trading hours), the Vendor (an indirectly wholly-owned subsidiary of the Company), entered into the Equity Transfer Agreement with the Purchaser (an independent third party), pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell all the equity interests in the Target Company for a total consideration of RMB133.0 million.

3. THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date : 12 August 2024

Parties : (1) the Vendor (an indirectly wholly-owned subsidiary of the Company); and
(2) the Purchaser

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent third parties.

Assets to be disposed : (1) the entire equity interests of the Target Company; and
(2) the Target Property and the rights of use for the Land where the Target Property erected thereon

For details of the Target Company and the Target Property, please refer to the paragraph headed "Information on the Target Company and the Target Property" in this circular.

Consideration : The total consideration payable by the Purchaser to the Vendor in respect of the Disposal shall be RMB133.0 million, which is to be paid as follows:

(1) an initial deposit of RMB12.0 million to be paid within three business days from the Effective Date (as defined below) of the Equity Transfer Agreement (the "1st Payment"), among which RMB5.0 million shall be the earnest money to the Equity Transfer Agreement. The earnest money of RMB5.0 million is not refundable if the Equity

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Transfer Agreement is terminated by the Vendor due to the Purchaser failing to perform the payment obligation and the representations and warranties thereunder;

- (2) RMB118.0 million to be paid before 30 September 2024 (the “**2nd Payment**”). On the receipt of the 2nd Payment by the Vendor, the Vendor shall transfer, among others, the licences, qualifications, stamps, bank details, financial books and accounts and the property ownership certificate of the Target Company to Purchaser; and
- (3) RMB3.0 million to be paid on the date where the change in equity interests in the Target Company has been registered by the relevant administration(s) of industry and commerce in the PRC (the “**3rd Payment**”).

Conditions Precedent to the Disposal

: Completion of the Disposal is conditional upon:

- (1) the Purchaser has paid to the Vendor the 1st Payment and the 2nd Payment; and
- (2) the Purchaser has duly settled the existing liabilities of the Target Company in the amount of RMB177.0 million, which is the borrowing owed by the Target Company to Yiwu Fuyuan Real Estate Sales Planning Co., Ltd., (義烏富遠房地產營銷策劃有限公司), an independent third party.

Completion

: Subject to satisfaction of all conditions set forth above, the Completion shall occur within five business days. Upon Completion:

- (1) the equity interests in the Target Company shall be duly transferred and registered by the relevant administration(s) of industry and commerce in the PRC;
- (2) the articles of association of the Target Company shall be updated and registered by the relevant administration(s) of industry and commerce in the PRC; and

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- (3) the Purchaser has paid to the Vendor the 3rd Payment in accordance with the Equity Transfer Agreement.

No long stop date was set under the Equity Transfer Agreement.

Effective Date : The Equity Transfer Agreement shall be effective on the date (“**Effective Date**”) when it is signed or sealed by the parties and all of the following conditions are fulfilled:

- (1) the general meeting of Vendor resolves to approve the Disposal; and
- (2) approval of the Disposal by regulatory authorities of China and Hong Kong Special Administrative Region.

4. BASIS OF DETERMINING THE CONSIDERATION UNDER THE EQUITY TRANSFER AGREEMENT

The consideration under the Equity Transfer Agreement was determined based on negotiations between the Vendor and the Purchaser on arm’s length basis taking into account (i) the fair value of the entire equity interest of the Target Company as at 30 April 2024 of approximately RMB117.6 million according to the valuation report prepared by an independent property valuer on the asset-based approach (covering all assets and related liabilities of the Target Company) (the “**Valuation**”), among others, the valuation of Target Property and the right of use of the Land based on the income approach, summary of the Valuation is set out in Appendix I to this Circular; and (ii) the prevailing market conditions.

The consideration represents (i) a premium of approximately 151.0% to the unaudited net asset value of the Target Company as at 31 December 2023 of approximately RMB53.0 million; and (ii) a premium of approximately 13.1% to the Valuation of the Target Company of approximately RMB117.6 million.

In arriving at its appraisal result, the independent valuer had, among others, assumed that:

- (1) all assets to be evaluated are already in the process of being transacted. The independent valuer will conduct the valuation based on the transaction conditions and models of the assets to be evaluated;
- (2) open market assumption: (i) there is a willing buyer and a willing seller and the status of them are equal; (ii) both the buyer and the seller have sufficient market information, opportunities, and time, and the transaction is conducted voluntarily and rationally without any coercion or restrictions; (iii) the assets evaluated can be freely transferred in the open market; and (iv) there are no additional bids paid by special buyers;

LETTER FROM THE BOARD

- (3) the evaluated assets will continue to operate after the valuation benchmark date and that its business activities will not cease or terminate within the foreseeable future;
- (4) the value of any asset is directly related to the macroeconomic environment in which it is located. In this appraisal, the independent valuer assumes that the society's industrial policy, tax policy and macroeconomic environment remain relatively stable, so as to ensure that the appraisal results have a reasonable period of use; and
- (5) interest rates and exchange rates are maintained at current levels with no major changes.

The Board is of the view that the scope, methodologies and assumptions adopted by the independent valuer in respect of the equity interests in the Target Company are fair and reasonable.

5. INFORMATION ON THE TARGET COMPANY AND THE TARGET PROPERTY

The Target Company is a company established in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, the Target Company owns the Target Property and is engaged in leasing of the Target Property.

Upon Completion, the Group will cease to have any interests in the Target Company and the Target Property. As such, the financial results of Target Company and the Target Property will no longer be consolidated into the financial statements of the Group.

Set out below is the unaudited financial information of the Target Company for the two financial years ended 31 December 2023:

	For the financial year ended 31 December	
	2022	2023
	RMB'000	RMB'000
Revenue	16,673	14,903
Net profit/(loss) before taxation	17,011	(15,432)
Net profit/(loss) after taxation	12,748	(11,575)

Based on the unaudited financial information of the Target Company, the total assets value and net assets value of the Target Company were approximately RMB268.3 million and RMB53.0 million respectively as at 31 December 2023.

The Target Property is located at No. 1728 Shixin North Road, Xiaoshan District, Hangzhou City, Zhejiang Province, comprising a commercial building of 15 storeys with a total gross floor area of 19,419.63 sq.m. The right of use of the Land where the Target Property erected thereon is for a term expiring on 23 April 2049. As at the Latest Practicable Date, part of the offices in the Target Property was leased to independent third parties for commercial uses.

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6. INFORMATION ON THE VENDOR

The Vendor is a company established in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company as at the Latest Practicable Date. Its principal business mainly includes new car sales, after-sales maintenance, auto beauty, retrofitting, used car sales, auto insurance, auto parts and related products sales business.

7. INFORMATION OF THE GROUP

The Group is a leading dealership group of luxury brands automobiles in the PRC and is principally engaged in the automobile sales and after-sales services business. The Group's business mainly concentrates in the eastern part of the PRC, which acts as the axis for expanding into the southern, central and northern parts of the PRC and also the northeast and northwest regions, thus, covering the majority of the mainstream market for luxury and ultra-luxury automobiles in the PRC as of now.

8. INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and is principally engaged in the design, research and development, weaving and sales of seamless and sewn fashion apparel, as well as industrial park investments. As at the Latest Practicable Date, the Purchaser is held as to 99% and 1% by the natural person shareholders, Mr. Lu Jingui (呂精貴) and Ms. Wang Yun (王芸) respectively, who are independent third parties.

9. REASONS FOR DISPOSAL

Currently, the Group leases out some of the floors of the Target Property owned by the Target Company for rent collection, but the overall asset return rate is relatively low with a low occupancy rate. Through the disposal of the Target Property, the Group hopes to improve the efficiency of asset usage, reasonably allocate and manage corporate assets, and focus on developing core business to achieve economic benefits and sustainable development under the backdrop of the current complex external environment.

Having made prudent assessments on the above and considered the prevailing market conditions, the Directors are of the view that it would be beneficial for the Company and its stakeholders (including its Shareholders) as a whole to pursue the Disposal and generate liquidity for the Group.

The terms of the Equity Transfer Agreement were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Disposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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10. FINANCIAL EFFECT AND USE OF PROCEEDS

The net proceeds from the Disposal will be used to supplement working capital as to approximately RMB100.0 million for repayment of existing bank loans and the remaining RMB33.0 million as general working capital to be used primarily for the payment of staff costs.

Earnings

Upon completion of the Disposal, the Group's consolidated statement of profit or loss will record a gain of approximately RMB80.0 million in terms of other income and gains, being the difference between (i) the Consideration of approximately RMB133.0 million; (ii) the unaudited carrying value of the net assets of Target Company of approximately RMB53.0 million as at 31 December 2023. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to book value of the Target Company accounted for in the financial statements of the Group upon completion of the Disposal, and may therefore be different from the above amount.

Assets and liabilities

Upon Completion, the Group currently expects to record (i) a decrease of net assets of approximately RMB53.0 million, being the unaudited carrying value of the net assets of the Target Company as at 31 December 2023; and (ii) an increase in current assets (i.e. being a net off of RMB133.0 million in cash as the consideration received from the Disposal less the current assets of the Target Company which is approximately RMB27,809,637.37) of approximately RMB105.2 million.

Based on the preliminary assessment, the assets and liabilities of the Target Company amounted to RMB268.3 million and RMB215.3 million will be derecognized from the consolidated financial statements of the Group based on the financial information of the Target Company as at 31 December 2023 and therefore resulting in a decrease in net asset of approximately RMB53.0 million.

Shareholders and potential investors should note that the financial impact set out above is for illustrative purposes only, which will have to be ascertained at the time of preparation of the Company's consolidated financial statements with reference to, among other things, the actual earnings and effect on the balance sheet of the Group, is subject to audit.

11. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 25% but are less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder; and (b) the written approval has

LETTER FROM THE BOARD

been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company having the right to attend and vote at the general meeting to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

As at the date of the Equity Transfer Agreement and the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Equity Transfer Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder.

On 12 August 2024 (i.e. the date of the Equity Transfer Agreement), the Company has obtained a written approval from China Grand Auto (Hong Kong), which is a wholly-owned subsidiary of CGA and a controlling shareholder of the Company interested in 1,945,334,071 shares of the Company (representing approximately 68.56% of the issued share capital of the Company as at the date of the Latest Practicable Date). Accordingly, no Shareholders' meeting will be convened by the Company to approve the Disposal.

The net carrying amount of the Target Property as at 31 December 2023 as recognised in the audited consolidated accounts of the Company for the year ended 31 December 2023 amounted to RMB227.3 million. As the net carrying amount of the Target Property is below 1% of the Group's total assets, the circular is not required to include a property valuation report of the Target Company and/or the Target Property according to Rule 5.02A(5) of the Listing Rules.

Completion is conditional upon fulfillment of the conditions precedent set out in the Equity Transfer Agreement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

12. RECOMMENDATION

The Directors (including all of the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are (i) fair and reasonable; (ii) on normal commercial terms; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, although, as explained above, no general meeting of the Company will be convened for the purpose of approving the Equity Transfer Agreement, if a general meeting were to be convened, the Directors (including the independent non-executive Directors) would recommend the Shareholders to vote in favor of the Equity Transfer Agreement at such general meeting. The above recommendation is for the Shareholders' reference only.

LETTER FROM THE BOARD

13. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendices II and III to this circular.

Yours faithfully,
By Order of the Board
Grand Baoxin Auto Group Limited
Ma Fujiang
Chairman

The following is a summary of the valuation report in connection with the valuation of the Target Company as at 30 April 2024, which has been prepared for the purpose of inclusion in this circular and for the purpose of reference only.

**Summary of the Asset Valuation Report on the Acquisition of Equity Interests in
Hangzhou Baoxin Enterprise Co., Ltd. *
(杭州寶信置業有限公司)**

Hangzhou Xiaoran Real Estate Asset Appraisal Co., Ltd. accepted the appointment and analyzed, estimated and expressed professional opinions on the implementation of the equity acquisition pertaining to the market value of all assets and related liabilities of Hangzhou Baoxin Enterprise Co., Ltd. as at 30 April 2024, in accordance with the relevant national asset appraisal regulations, China's asset appraisal standards, and the information provided by Hangzhou Baoxin Enterprise Co., Ltd. On top of that, Hangzhou Xiaoran Real Estate Asset Appraisal Co., Ltd. used the prevailing asset appraisal methods and followed the necessary appraisal procedures based on the principles of independence, objectivity and fairness. The asset appraisal situation and appraisal results are summarized as follows:

Appraised entity: Hangzhou Baoxin Enterprise Co., Ltd.

Appraisal purpose: To provide the value of all shareholders' equity of Hangzhou Baoxin Enterprise Co., Ltd. for the purpose of equity acquisition

Appraised target and appraisal scope: The appraised target is the value of all shareholders' equity of Hangzhou Baoxin Enterprise Co., Ltd. pertaining to the implementation of equity acquisition. The appraisal scope is all assets and related liabilities of the appraised entity involved in the above-mentioned appraised target, including current assets, investment real estate, fixed assets, intangible assets, long-term deferred expenses, deferred taxes and current liabilities, etc.

Value type: Market value

Appraisal base date: 30 April 2024

Appraisal method: Asset-based method

1. Appraised target and appraisal scope

The appraised target is the value of all shareholders' equity of Hangzhou Baoxin Enterprise Co., Ltd. pertaining to the implementation of equity acquisition. The appraisal scope is all assets and related liabilities of the appraised entity involved in the above-mentioned appraised target, including current assets, investment real estate, fixed assets, intangible assets, long-term deferred expenses, deferred taxes and current liabilities, etc.

2. Value types and their definitions

Based on the appraisal purpose, market conditions, appraised target and other factors, the value type selected for this appraisal project is market value. Market value refers to the estimated value of the appraised target in a normal and fair transaction on the appraisal base date when a voluntary buyer and a voluntary seller act rationally and are not forced.

The purpose of asset appraisers in performing asset appraisal business is only to appraise the value of the appraised target and express professional opinions. The appraisal results refer to the estimation results to satisfy the purpose of the appraisal, provided that there have been no significant changes in the economic environment and market conditions as at the appraisal base date and in the appraisal premises and assumptions relied upon by the appraisers. The appraisal results are not to be construed as guarantees or undertakings as to the realization of the value of the appraised target.

3. Appraisal base date

The Asset Appraisal base date of this project is 30 April 2024.

4. Appraisal basis**(1) Legal basis**

1. The Asset Appraisal Law of the People's Republic of China which came into effect on 1 December 2016;
2. Company Law of the People's Republic of China;
3. Land Administration Law of the People's Republic of China;
4. Urban Real Estate Management Law of the People's Republic of China;
5. Enterprise accounting standards and other accounting laws and regulations, departmental regulations, etc.;
6. Other laws and regulations related to asset appraisal, etc.

(2) Guidelines

1. Ministry of Finance Cai Zi (2017) No. 43 "Notice of the Ministry of Finance on Issuing the Basic Standards for Asset Appraisal";
2. "Code of Ethics for Asset Appraisal", China Appraisal Society (2017) No. 30;
3. "Guidance on the Types of Asset Appraisal Values", China Appraisal Society (2017) No. 47;

4. “Guidelines for Business Quality Control of Asset Appraisal Institutions”, China Appraisal Society (2017) No. 46;
5. “Asset Appraisal Practice Standards – Asset Appraisal Contract” China Appraisal Society (2017) No. 33;
6. “Asset Appraisal Practice Standards – Asset Appraisal Report” China Appraisal Society (2018) No. 35;
7. “Asset Appraisal Practice Standards – Asset Appraisal Procedure” China Appraisal Society (2018) No. 36;
8. “Asset Appraisal Practice Standards – Asset Appraisal Files” China Appraisal Society (2018) No. 37;
9. “Asset Appraisal Practice Standards – Enterprise Value” China Appraisal Society (2018) No. 38;
10. “Asset Appraisal Practice Standards – Asset Appraisal Methods” China Appraisal Society (2019) No. 35;
11. “Guiding Opinions on the Legal Rights of Asset Appraised Targets” China Appraisal Society (2017) No. 48;
12. “Asset Appraisal Practice Standards – Machinery and Equipment” China Appraisal Society (2017) No. 39;
13. “Asset Appraisal Practice Standards – Real Estate” China Appraisal Society (2017) No. 38;
14. “Asset Appraisal Practice Standards – Intangible Assets” China Appraisal Society (2017) No. 37.

(3) *Basis for the ownership*

1. Business license of Hangzhou Baoxin Enterprise Co., Ltd.;
2. Real estate ownership certificates, invoices and other ownership certificates;
3. Economic contracts, agreements, and fund disbursement certificates related to the acquisition and use of assets and rights;
4. Financial vouchers, financial statements and other accounting information;
5. Other certified documents of property rights, etc.

(4) Pricing basis and references

1. The asset appraisal declaration form provided by the appraised entity;
2. The financial statements of the appraised entity as at the appraisal base date;
3. Relevant housing price information held by the company;
4. “Electrical and Mechanical Products Quotation Manual” and other professional market price information and inquiry records;
5. References for appraisal parameters such as the “Handbook of Common Data and Parameters for Asset Appraisal”;
6. The loan interest rate stipulated by the People’s Bank of China as at the base date;
7. Supporting materials collected by appraisal professionals for asset verification, investigation, testing, and analysis.

5. Appraisal methods

The basic methods of overall asset appraisal include asset-based method, income method and market method. The asset appraiser analysed the applicability of the three basic asset appraisal methods based on relevant conditions such as the appraised target, value type, and data collection.

(1) Asset-based method

The asset-based method refers to the appraisal methodology of using the balance sheet of the appraised entity on the appraisal base date as the basis for assessing the value of identifiable assets and liabilities on and off the enterprise’s balance sheet and determining the value of the appraised entity by the net assets. The asset-based method is more applicable when the coordination of the various elements of the enterprise’s assets has not reached an optimal state, and no or little combination effect or excess return is generated.

(2) Income method

The income method refers to the appraisal methodology of determining the value of the appraised target by capitalizing or discounting the expected income of the appraised entity. Due to the imperfect market mechanism and the uncertainty of the future operating period, it is difficult to reasonably predict the expected income of the appraised assets, so the income method is not applicable to this appraisal.

(3) *Market method*

The market method refers to the appraisal methodology of comparing the appraised target with reference enterprises, enterprises with existing transactions in the market, shareholders' equity, securities and other equity assets to determine the value of the appraised target. The market method is applicable to the enterprise appraisal under the condition that there are sufficient market data and comparable reference enterprises or transactions. Due to the limited access to market information concerning domestic property rights transactions, the large differences in product structure and main business composition of similar enterprises, and the particularity of the appraised entity, it is extremely difficult to select similar market references, so the market method is not adopted.

Considering that the assets and liabilities entrusted to be evaluated can be inspected onsite, and that the balance sheet of the Target Company can be used to assess the value of identifiable assets and liabilities and adequate information can be provided for valuation of such assets and liabilities such as the financial statements of the Target Company, therefore, the asset-based approach was adopted for valuation.

6. Appraisal process and implementation status

(1) *Overview of the on-site investigation*

From 20 May to 1 June 2024, we formed an appraisal team to conduct a comprehensive inspection of the declared assets. For intangible assets, we mainly checked the formation process of the enterprise's debt and the accuracy of the book values by reviewing the original vouchers and confirmation letters of the enterprise and verifying the relevant economic behavior documents. Tangible assets such as fixed assets were counted and inspected on site to verify the asset location, usage status, property rights and other important factors affecting the appraised value.

(2) *Overview of the estimated values*

1) *Appraisal of current assets*

1. Currency funds

The book value is RMB521,016.20 without any adjustment. It is a bank deposit.

The bank deposit mainly consists of the balances of two accounts, namely, Agricultural Bank of China (Hangzhou Ningwei Branch) and Zhejiang Xiaoshan Rural Commercial Bank (Gaoxin Branch). We checked the bank deposit statements, confirmed all accounts, and received a confirmation letter. The verification results showed that they were correct and were evaluated at the adjusted book value.

The currency funds were valued at RMB521,016.20, and there was no increase or decrease in the value.

2. Accounts receivable

The book value is RMB423,959.94 without any adjustment, and the age of accounts receivable is less than 1 year.

Accounts receivable mainly include rent, property fees and utility fees, among which the major accounts receivable is RMB11,099,969.60 of rent, property fees and utility fees from Hangzhou Ruili Hotel Management Co., Ltd. The company originally leased the 1st floor lobby, 2nd to 4th floors and 28 parking spaces of Baoxin Building, with a lease area of 4,489 square meters. As the company has not fulfilled its obligations of vacating and paying according to the Civil Judgment No. Minchu 14127 Zhe 0109 of Hangzhou Xiaoshan District People's Court (2022), the Civil Ruling No. Minchu 14127 Zhe 0109 of Hangzhou Xiaoshan District People's Court (2022) and the Civil Judgment No. Minzhong 2339 Zhe 01 of Zhejiang Intermediate People's Court (2023), Hangzhou Baoxin Enterprise Co., Ltd. has applied for its bankruptcy, and the company is now in the bankruptcy and liquidation stage. Therefore, Hangzhou Baoxin Enterprise Co., Ltd. has made provision for bad debts for the accounts receivable in the amount of RMB11,199,969.60. Taking into account the characteristics of the purpose of this appraisal, the expected value of bankruptcy distribution assets that can be recovered in the future is extremely low. From the perspective of consolidating assets, Hangzhou Baoxin Enterprise Co., Ltd. also agrees to appraise the accounts receivable as 0 and the provision for bad debts as 0. The appraised value-added is RMB100,000.00

The remaining amounts include RMB743.6 receivable from State Grid Zhejiang Electric Vehicle Service Co., Ltd., RMB66,531.45 receivable from China Tower Corporation Limited Hangzhou Branch, RMB5575.29 receivable from POS machine Alipay, utility charges of RMB428,357.60 receivable from Hangzhou Guanyu Investment Management Co., Ltd. and electricity charges of RMB22,752.00 receivable from China United Network Communications Co., Ltd. (Hangzhou Branch). The amounts have been verified to be correct, and there is no conclusive evidence to show that they cannot be recovered. The verified book value is used as the appraisal value.

The appraised value of accounts receivable is RMB523,959.94, and the appraised value-added is RMB100,000.00.

3. Prepayments

The book value of the prepayments after adjustment is valued at RMB8,254.74, which is resulted from the total book value of RMB24,908,254.74 net off against : (1) the liquidated damages of RMB20,250,000.00 for the termination of the lease contract of Hangzhou Guanyu Investment Management Co. Ltd., which was originally estimated to be payable; and (2) the brokerage fee of RMB4,650,000.00 from Yiwu Fuyuan Real Estate Marketing Planning Co. Ltd., which was originally estimated to be payable.

The prepayment after the adjustment is a fire protection maintenance fee with an account age of less than 1 year, which is assessed as RMB nil.

The appraised value of the prepayments is RMB nil, with an appraised reduction of RMB8,254.74.

4. Other receivables

The book value is RMB1,165,192.80 without adjustment.

Other receivables include a housing maintenance deposit receivable from Xiaoshan District Property Maintenance Fund Management Center, with an account age of less than one year. The amount has been verified to be correct, and there is no conclusive evidence that it cannot be recovered. Therefore, the verified book value is used as the appraisal value.

The appraised value of other receivables is RMB1,165,192.80, with no increase or decrease in value.

5. Other current assets

The book value is RMB791,213.69 without adjustment.

Other current assets are input VAT and prepaid tax to be deducted. The amounts are verified and the verified book value is used as the appraisal value.

The appraised value of other current assets is RMB791,213.69, with no increase or decrease in value.

6. Appraisal results of the current assets

The book value of the current assets is RMB27,809,637.37. The adjusted book value is RMB2,909,637.37. The appraised value is RMB3,001,382.63. The appraised value-added is RMB91,745.26.

2) *Investment real estates*

The book value is RMB227,276,400.00, with no adjustment. The properties to be appraised are part of the 1st floor and the houses from the 2nd to 15th floors of Baoxin Building, located in Ningwei Street, Xiaoshan District.

1. The property ownership is as follows:

The investment real estate has obtained the real estate certificate No. 0063823 of Zhe (2017) Xiaoshan District Real Estate Rights. The right holder listed in the certificate is Hangzhou Baoxin Enterprise Co., Ltd., which is solely owned. It is located in Baoxin Building, Ningwei Street, Xiaoshan District. The real estate unit number is 330109008020GB30003F00010001. The right type is state-owned construction land use right/house (structure) ownership. The nature of the right is transferred/self-built house. The use is commercial and office land/commercial, office, with the land use right area of 5,176.00 square meters or house building area of 19,419.63 square meters. The terms of use of state-owned construction land use rights ends on 23 April 2049, and the other status of the land use right area is 5,176.0 square meters, of which the sole use land area is 5,176.0 square meters and the shared land area is 0.0 square meters. Note: The total number of floors is 15. The construction area for commercial and office purposes is 19,419.63 square meters. The exclusive construction area is 19,419.63 square meters, and the shared construction area is 0 square meter. According to the inquiry records of the Hangzhou real estate registration information, the restricted information is that the property is not seized but has a mortgage, and the mortgagee is the Zhejiang Xiaoshan Rural Commercial Bank Co., Ltd. (Chengxiang Branch).

According to the declaration of the asset holder, the investment real estate included in the scope of this appraisal is the part of the 1st floor and the houses from the 2nd to 15th floors in the above-mentioned certificate, with a construction area of 17,879.00 square meters.

2. Location of the real estate

Baoxin Building is located at No. 1728, Shixin North Road, Xiaoshan District, Hangzhou City, Zhejiang Province. It is adjacent to Yingfeng Street in the north, Shixin North Road in the south, New Citizen Apartment (新市民公寓) in the west, and Feihong Road in the east. There are Feihong Road Station of Metro Line 2, and buses such as No. 123, No. 705, No. 710 and No. 780 in the surrounding area. It is about 20 kilometers away from the Hangzhou Xiaoshan International Airport, and about 10 kilometers away from Hangzhou East Railway Station, Hangzhou Railway Station and Hangzhou South Railway Station. The transportation is convenient.

Around Baoxin Building, there are Wanhe International (萬和國際), Hendry Fujian Business Building (亨德利閩商大廈), Qianjiang Electric Building (錢江電器大廈), Nuode Fortune Center (諾德財富中心) and other office buildings, with a high degree of office concentration. There are also Shunfa Hemeijia (順發和美家), Fengbei Garden (豐北家園), Century Yangfan Kindergarten (世紀揚帆幼兒園), Xiaoshan District Jiangnan Primary School (蕭山區江南小學), Xiaoshan Rural Commercial Bank, China Industrial Bank and other living facilities.

3. Particulars of the real estate from the survey

Baoxin Building is a frame-shear structure building with 15 floors above ground and 2 floors underground, with a total design height of 69.88 meters. The building is designed with 79 parking spaces on the ground and 73 parking spaces underground. There are 3 passenger elevators and 2 fire escape staircases in the building. The current status of the investment real estate included in the scope of this appraisal on the appraisal base date is as follows: 1) Part of the 1st floor is the lobby and restaurant of the former hotel (the decoration and facilities were invested by the former tenant), with a floor height of 2.6 meters. 2) 2nd and 4th Floors are the guest rooms of the former hotel, with a total of 111 rooms, which are now closed. The decoration and indoor facilities of the guest rooms were invested by the former tenant. The floor-to-floor height of the 2nd floor is 3.1 meters, the floor-to-floor height of the 3rd floor is 4.6 meters, and the floor-to-floor height of the 4th floor is 4.6 meters. 3) 5th and 15th Floors are Guanyu Apartments, which are leased by Hangzhou Guanyu Investment Management Co., Ltd. There are 423 apartments in total, including 44 dual-key apartments. The floor-to-floor height of the dual-key apartment on the first floor is 2.13 meters, and the floor-to-floor height of the second floor is 2.3 meters. The floor-to-floor height of the living room of the remaining semi-LOFT rooms is 4.6 meters, and the floor-to-floor height of the open bedroom is 2.28 meters. The apartment decoration and indoor facilities are invested by the tenant.

4. Appraisal method: income method

According to the relevant lease contracts and other information provided by the asset owner, Baoxin Building can continue to generate income, and future income is predictable. The appraisers conducted a detailed investigation of the real estate rental market around the appraisal target. There is an active rental market for similar assets nearby, which meets the conditions for using the income method for appraisal. Therefore, the income method is selected for this appraisal.

The income method is a method of estimating (forecasting) the expected income of the appraised entity or other asset portfolio within a specific period of time in the future, and selecting an appropriate discount rate to convert it into the current capital or investment amount. Its basic formula is:

$$V = \frac{A}{r - s} \left[1 - \left(\frac{1 + s}{1 + r} \right)^n \right]$$

Of which: V — Overall value of the appraised target

A — Forecast future net income for each year

r — Discount rate

s — Growth rate

n — Number of revenue forecast periods

(2) Selection of income indicators

Determination of income period: Based on the remaining years of the land.

Determination of income amount: We determine the expected income based on the net income from house rental and use the income method to appraise the value of self-owned houses. This places the appraised target in a complete and realistic business process and market environment, so that the future profitability of the houses is appraised on the basis of continuous leasing.

Selection of discount rate: Discount is a concept of time value with risk factors, whereby a future income or benefit is considered to be less than the same income or benefit in the present. It also systematically decreases in value with the extent to which time is deferred into the future and the degree of risk involved in obtaining a profit.

Discount rate = rate of risk-free return + rate of risk return + inflation rate

Selection of growth rate: Determine the growth rate of annual rent for this type of housing after conducting statistical analysis on the rental growth trend of similar housing market.

The general and principal assumptions of the valuation in relation to the investment real estate are summarised as follows, including but not limited to:

- the price, expressed in terms of cash equivalents, at which the property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts;
- the value of the investment real estate that is expected to continue to operate into the future. The asset going-concern assumption means that the valuation method, parameters and basis shall be determined on the premise that the valued assets will be continuously used in consistence with their current functions and methods, scale, frequency and environment of application, or used on the basis of certain changes thereof;
- the investment real estate will realize its income in accordance with its leasing plan as provided by the management. The projections outlined in the plan as provided by the management of the Group are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;
- there will be no major changes in the current taxation laws in the localities in which the investment real estate is located and the rates of tax payable shall remain unchanged and all applicable laws and regulations will be complied with;
- there will be no major changes in the political, legal, economic or financial conditions in the location where the investment real estate is operated, which would adversely affect the revenue attributable to and the profitability of the real estate; and
- interest rates and exchange rates in the localities for the investment real estate will not differ materially from those prevailing presently.

The value of the investment real estate was derived from the summation of the cash flows generated from the investment real estate, based on the cash flow projects.

The specific assumptions and key inputs of the valuation are set out as follows:

Specific assumption	Inputs	Basis of assumptions
Estimated rental value (per sq.m. per month)	RMB74	The current rental during the lease term, the market price of renting commercial real estates with similar locations and conditions, and the impact of floor level, total usable area, purpose of usage on the rental. These information were obtained from publicly available sources, including websites of property agencies and the historical rental value offered by the Group. The inputs was arrived at by taking an average of at least three properties of such criteria.
Estimated rental value for parking lot (per space per month)	RMB451	The current rental income generated from partial and full lease, the price of renting parking space in the parking lots of apartments with similar locations, and the supply of and demand for underground parking space near the investment real estate. These information were obtained from publicly available sources, including websites of property agencies and the historical rental value offered by the Group. The inputs was arrived at by taking an average of at least three properties of such criteria.

Specific assumption	Inputs	Basis of assumptions
Long-term growth rate p.a	3%	The fluctuations in the supply and demand in the real estate industry in Hangzhou, the annual contractual rental growth rate for renting existing commercial real estate in the vicinity, and the location and municipal planning of Qianjiang Century City area. The assessment of the inputs was determined with reference to publicly available sources, such as the information published by the Hangzhou Statistics Bureau.
Long-term vacancy rate	5%	The location and municipal planning of Qianjiang Century City area, the transportation condition of the investment real estates in comparison with similar real estates in the vicinity, the actual use by the lessees during the lease term and the long-term change of supply and demand in the real estate industry. The information were obtained based on the onsite inspection of not less than three similar properties. The long-term vacancy rate had also taken into account the historical vacancy rate of the property of the Group.
Discount rate	5%	The risk-free rate of return and various risk return rates. The rate is determined based on various factors such as the inflation rate and other macroeconomic factors, the source of which were obtained through publicly available sources, namely the national and municipal statistics bureau.

The sensitivity and the relationship of Valuation to changes in the assumptions and key inputs is:

- A significant increase in the long term growth rate used would result in a significant increase in the fair value of the investment property, and vice versa
- A significant increase in the long term vacancy rate used would result in a significant decrease in the fair value of the investment property, and vice versa

5. Appraisal results

The unit price of the investment property is RMB16,000.00 per square meter. The appraised value is RMB286,064,000.00. The appraised added-value is RMB58,787,600.00.

3) *Appraisal of the housing property*

1. Overview

The original book value is RMB11,149,046.46, and the net book value is RMB8,874,206.01. There is no adjustment. It is a self-occupied house of Hangzhou Baoxin Enterprise Co., Ltd. located on part of the first floor of Baoxin Building, Ningwei Street, Xiaoshan District.

2. The property ownership is as follows:

The housing property has obtained the real estate certificate No. 0063823 of Zhe (2017) Xiaoshan District Real Estate Rights. The right holder listed in the certificate is Hangzhou Baoxin Enterprise Co., Ltd., which is solely owned. It is located in Baoxin Building, Ningwei Street, Xiaoshan District. The real estate unit number is 330109008020GB30003F00010001. The right type is state-owned construction land use right/house (structure) ownership. The nature of the right is transferred/self-built house. The use is commercial and office land/commercial, office, with the land use right area of 5,176.00 square meters or house building area of 19,419.63 square meters. The terms of use of state-owned construction land use rights ends on 23 April 2049, and the other status of the land use right area is 5,176.0 square meters, of which the sole use land area is 5,176.0 square meters and the shared land area is 0.0 square meter. Note: The total number of floors is 15. The construction area for commercial and office purposes is 19,419.63 square meters. The exclusive construction area is 19,419.63 square meters, and the shared construction area is 0 square meter.

According to the inquiry records of the Hangzhou real estate registration information, the restricted information is that the property is not seized but has a mortgage, and the mortgagee is the Zhejiang Xiaoshan Rural Commercial Bank Co., Ltd. (Chengxiang Branch).

According to the declaration of the asset holder, the housing property included in the scope of this appraisal is the above-mentioned certified 1st floor of the partly self-occupied house, with a construction area of 1,540.63 square meters.

3. Particulars of the house

The current status of the housing property included in the scope of this appraisal on the appraisal base date is: partly the car showroom and partly the office area, with a floor-to-floor height of 2.66 meters (partial floor-to-floor height of 2.07 meters), and a floor-to-floor height of 5.7 meters in the exhibition hall. The interior is simply decorated, with floor tiles (part of the floor), latex paint on the walls and ceilings, glass doors, and central air conditioning in the office area.

4. Appraisal method

Considering this appraisal's purpose of equity acquisition, the same appraisal method as the aforementioned investment real estate is adopted.

5. Appraisal results:

The appraised unit price of the housing property is RMB16,000.00 per square meter. The appraised value is RMB24,650,080.00. The appraised added-value is RMB14,008,080.67.

4) *Machinery and equipment*

1. Overview:

The original book value is RMB483,442.10. The net book value is RMB25,756.25. There is no adjustment.

The machinery and equipment included in the scope of this appraisal mainly include 3 sets of central air conditioners, 2 sets of license plate recognition integrated machines, and office desks and chairs, computers, printers and other office equipment.

2. Appraisal method:

The appraisal is carried out using the replacement cost method.

The basic formula is: Appraisal value = replacement value X residue rate

- 1) The replacement value consists of the purchase price plus related expenses. The replacement value is determined based on the actual equipment configuration of the on-site survey, the current material prices and commodity prices, as well as the price level of similar production equipment.
 - (1) Purchase price: The current market price is the purchase price. The reference price is obtained by asking industry experts and relevant manufacturers, and the purchase price is determined after analysis. The following form of sub-item appraisal is used:
 - A. For major production equipment, the price inquiry is conducted on a per-unit basis, and the current purchase price is obtained by reviewing relevant information. The purchase price is determined on the basis of a complete set or a unit;
 - B. For minor production equipment, we mainly inquire directly with the manufacturer. If the market price cannot be obtained directly, we first obtain the current price of equipment with similar specifications and models, or use the historical price of the equipment and adjust it using the coefficient method.
 - (2) Relevant fees

The relevant fees take into account several items such as transportation and miscellaneous fees, installation fees, and capital costs. They are determined based on the necessary and reasonable levels of transportation fees, installation fees, and capital costs according to the specific conditions of each appraised equipment and the complexity of on-site installation.
- 2) The comprehensive residue rate is appraised based on the service life method
Residue rate $K = (\text{useful life } N - \text{used years } n) / \text{useful life } N \times 100\%$
 - A. For large, complex and major equipment, a comprehensive analysis method is used to determine the residue rate: that is, based on the service life method, the comprehensive condition of the equipment is first considered to appraise the useful life N , and the remaining service life of the equipment is preliminarily determined based on this; then, taking into account the environment in which it is located, manufacturing quality, load level, maintenance, etc., it considers the comprehensive appraisal of the residue rate in terms of its economic life, physical life, technical life, etc.
 - B. For equipment of generally smaller value, the service life method is mainly used as the basis to determine the residue rate, combined with the equipment's use, maintenance and appearance.

3. Appraisal results:

The replacement value of the machinery and equipment is RMB453,330.00. The appraised value is RMB46,864.80. The appraised added-value is RMB21,108.55.

5) *Appraisal of the land use rights:*

The net book value of the land use rights is RMB1,767,793.32, and the book value after adjustment is RMB0.00, with an adjustment reduction of RMB1,767,793.32. The main adjustment is: the value of the land use rights has been reflected in the value of the appraised housing property using the income method, so the corresponding land use rights of RMB1,767,793.32 of the first floor of the partial building for self-use, which was recorded in intangible assets, is adjusted and transferred to fixed assets.

The appraised value of the land use rights is RMB0.00, with no increase or decrease in value.

6) *Long-term deferred expenses*

The book value is RMB1,188,266.84, and there is no adjustment.

The long-term deferred expenses are the renovation costs of a partially self-occupied building on the 1st floor. The value has been reflected in the current status of the appraised house using the income method, so this item is appraised as 0.

The appraised value of long-term deferred expenses is RMB0.00, and the appraised impairment is RMB1,188,266.84.

7) *Deferred tax debit*

The book value is RMB2,850.00, and the book value after adjustment is RMB2,802,842.40, with an increase of RMB2,799,992.40. The main adjustment is: the audit adjustment of prior year's deferred income tax assets of RMB2,799,992.40 to unappropriated earnings.

Deferred tax debit is a deferred income tax asset, and its appraised value is determined based on the adjusted book value after verification.

The appraised value of the deferred tax debit is RMB2,802,842.40, with no increase or decrease in value.

8) *Verification of current liabilities*

1. Accounts receivables in advance

The book value is RMB2,943,339.80, and there is no adjustment.

The accounts receivables in advance are prepayments of rent and parking fees. The amounts are verified to be correct and are retained at the verified book value.

The appraised value of the accounts receivables in advance is RMB2,943,339.80, with no increase or decrease in value.

2. Other payables

The book value is RMB198,717,962.75, and the book value after adjustment is RMB173,817,962.75, with a reduction of RMB24,900,000.00. The main adjustments are: 1) the adjustment to reduce the amount of RMB20,250,000.00 originally estimated to be payable as liquidated damages for the termination of the lease contract by Hangzhou Guanyu Investment Management Co., Ltd.; 2) the adjustment to reduce the amount of RMB4,650,000.00 originally estimated to be payable as agency fee by Yiwu Fuyuan Real Estate Marketing Planning Co., Ltd.

Other payables after the adjustment mainly include current accounts and dividends payable. The amounts are verified to be correct and retained at the verified adjusted book value.

The appraised value of other payables is RMB173,817,962.75, with no increase or decrease in value.

3. Salaries payable

The book value is RMB24.43 without adjustment.

Salaries payable is the withdrawal of union funds. The funds are verified to be correct, and the verified book value is used as the appraised value.

The appraised value of salaries payable is RMB24.43, with no increase or decrease in value.

4. Taxes payable

The book value is RMB1,554,951.50 without adjustment.

The taxes payable include value-added tax, property tax, land use tax, stamp duty, etc. The amounts are verified to be correct and will be retained at the verified book value.

The appraised value of the taxes payable is RMB1,554,951.50, with no increase or decrease in value.

5. Deferred tax credits

The book value is RMB20,636,791.72 without adjustment.

The deferred tax credit is the deferred income tax liability. The amounts are verified to be correct and will be retained at the verified book value.

The appraised value of the deferred tax credit is RMB20,636,791.72 with no increase or decrease in value.

6. Appraisal results of the current liabilities

The book value is RMB203,216,278.48. The book value after adjustment is RMB178,316,278.48. The appraised value is RMB178,316,278.48 with no increase or decrease in value.

7. Appraisal assumptions

1. Trading assumptions

Assuming that all assets to be appraised are already in the process of being traded, the appraisers will make an appraisal based on a simulated market including the trading conditions of the assets to be appraised.

2. Open market assumptions

- 1) There are willing sellers and buyers, whose statuses are equal;
- 2) Both buyers and sellers have the opportunity and time to obtain sufficient market information, and transactions are conducted voluntarily and rationally rather than under coercive or restricted conditions;
- 3) The assets to be appraised can be freely transferred in the open market;
- 4) Additional bids from special buyers will not be considered.

3. Continuing operations assumption

It is assumed that the appraised enterprise will continue to operate after the appraisal base date, and the operating activities of the entity will not be suspended or terminated within a foreseeable period of time in the future.

4. Assumption of a relatively stable macroeconomic environment

The value of any asset is directly related to the macroeconomic environment in which it is located. In this appraisal, we assume that the society's industrial policy, tax policy and macroeconomic environment remain relatively stable, so as to ensure that the appraisal results have a reasonable period of use.

5. Interest rates and exchange rates are maintained at current levels with no major changes.

6. Others

8. Appraisal conclusion

In accordance with the relevant national laws on asset appraisal and the regulations and provisions of other relevant national departments, as well as the principles of independence, objectivity and fairness, the appraisers performed the necessary appraisal procedures and used the asset-based method to evaluate the total equity value of Hangzhou Baoxin Enterprise Co., Ltd. Based on the assumptions and preconditions disclosed in this report, the appraisal results of the total equity value of Hangzhou Baoxin Enterprise Co., Ltd. on the appraisal base date of 30 April 2024 are:

The book value of the assets is RMB266,944,909.79. The book value after adjustment is RMB244,844,902.19. The appraised value is RMB316,565,169.83. The appraised value-added is RMB71,720,267.64, with the appraised value-added rate of 29.29%.

The book value of the liabilities is RMB223,853,070.20. The book value after adjustment is RMB198,953,070.20. The appraised value is RMB198,953,070.20 with no increase or decrease in value.

The book value of the net assets is RMB43,091,839.59. The book value after adjustment is RMB45,891,831.99. The appraised value is RMB117,612,099.63. The appraised value-added is RMB71,720,267.64, with the appraised value-added rate of 156.28%.

The appraisal results are detailed as follows:

Items	Book value	Adjusted net value	Appraised value	Increase/decrease	Increase/decrease rate
Current assets	27,809,637.37	2,909,637.37	3,001,382.63	91,745.26	3.15
Investment real estate	227,276,400.00	227, 276, 400.00	286,064,000.00	58,787,600.00	25.87
Fixed assets	8,899,962.26	10,667,755.68	24,696,944.80	14,029,180.22	131.51
Including: houses and buildings	8,874,206.01	10,641,999.33	24,650,080.00	14,008,080.67	131.63
Machinery and equipment	25,766.25	26,766.25	46,864.80	21,108.66	81.96
Ongoing constructions					
Intangible assets	1,767,793.32				
Including: land use rights	1,767,793.32				
Long-term deferred expenses	1,188,266.84	1,188,266.84		(1,188,266.84)	(100)
Deferred tax	2,850.00	2, 802,842.40	2,802,842.40		
Total assets	266,944,909.79	244,844,902.19	316,505,169.83	71,720,267.64	29.29
Current liabilities	203,216,278.48	178,316,278.48	178,316,278.48		
Long-term liabilities	20,636,791.72	20,636,791.72	20, 636,791.72		
Total liabilities	223,863, 070.20	198,953,070.20	198,953,070.20		
Net assets	43,091,839.59	46,891,831.99	117,612,099.63	71,720,267.64	156.28

9. Notes of the special matters

- (1) Title defects: If the asset owner does not make special explanations during the asset appraisal, and the appraisers are generally not able to learn about such defects based on their professional experience, the appraisal agency and the appraisers shall not be liable for other defects that may affect the appraisal results;
- (2) The building area recorded under the “investment real estate” and “fixed assets – buildings” in this appraisal is divided by the asset holder according to the actual situation. For the purpose of equity acquisition appraisal, the entire property of Baoxin Building was appraised with the income method, but it is still presented separately under the declared items;
- (3) According to the inquiry record of the Hangzhou real estate registration information: the restricted information of the property of Zhe (2017) Xiaoshan District Real Estate Certificate No. 0063823 is not seized, but has a mortgage, and the mortgagee is Zhejiang Xiaoshan Rural Commercial Bank Co., Ltd. (Chengxiang Branch);

- (4) The accounts receivable in this appraisal include RMB11,099,969.60 of rent, property fees and utility fees receivable from Hangzhou Ruili Hotel Management Co., Ltd. The company originally leased the 1st floor lobby, 2nd to 4th floors and 28 parking spaces of Baoxin Building, with a lease area of 4,489 square meters. As the company has not fulfilled its obligations of vacating and paying according to the Civil Judgment No. Minchu 14127 Zhe 0109 of Hangzhou Xiaoshan District People's Court (2022), the Civil Ruling No. Minchu 14127 Zhe 0109 of Hangzhou Xiaoshan District People's Court (2022) and the Civil Judgment No. Minzhong 2339 Zhe 01 of Zhejiang Intermediate People's Court (2023), Hangzhou Baoxin Enterprise Co., Ltd. has applied for its bankruptcy, and the company is now in the bankruptcy and liquidation stage. Therefore, Hangzhou Baoxin Enterprise Co., Ltd. has made full provision for bad debts for the accounts receivable. Taking into account the characteristics of the purpose of this appraisal, the expected value of bankruptcy distribution assets that can be recovered in the future is extremely low. From the perspective of consolidating assets, Hangzhou Baoxin Enterprise Co., Ltd. also agrees to appraise the accounts receivable as 0 and the provision for bad debts as 0. The users of the appraisal report are reminded of the impacts of the special matters on the appraisal results;
- (5) As of the appraisal base date, the Baoxin Building of Hangzhou Baoxin Enterprise Co., Ltd. has the following leases:

No.	Tenant	Lease target	Lease period
1	Hangzhou Guanyu Investment Management Co., Ltd.	5th to 15th floor (13,390 square meters), free use of the 1st floor lobby and 20 parking spaces (parking spaces ~ 2nd floor, no. C35-54, parking space management fees are paid according to the agreement)	30 November 2017 to 29 July 2028
2	State Grid Zhejiang Electric Vehicle Service Co., Ltd.	20 charging stations	1 March 2023 to 14 October 2029
3	Fengchao Network Technology Co., Ltd.	3 sites for Fengchao	1 September 2023 to 31 August 2024
4	Xu Chengpan	1st floor auxiliary room (40 square meters)	1 November 2019 to 31 October 2029
5	China United Network Communications Co., Ltd. (Hangzhou Branch)	Rooftop venue of Baoxin Building	1 May 2015 to 30 April 2030

- (6) In this appraisal, we did not consider the impact of other rights such as mortgages, guarantees, and litigation on the appraisal results, nor did we verify other rights;
- (7) This appraisal of all shareholders' equity did not consider any possible tax provisions for the increased value of the relevant appraised assets.

Users of the appraisal report are reminded to pay attention to the impacts of the above special matters on the appraisal conclusions.

10 Restrictions on the use of the appraisal report

The use of this appraisal report is subject to the following restrictions:

- (1) The appraisal report can only be used by the appraisal report users for the appraisal purposes disclosed in the appraisal report. The asset appraisers and their appraisal institution shall not be held responsible for the consequences caused by any improper use of the appraisal report;
- (2) Without the consent of the appraisal institution that issued the appraisal report, the contents of the appraisal report shall not be excerpted, quoted or disclosed in the public media, unless otherwise provided by laws and regulations or agreed upon by the relevant parties;
- (3) The appraisal conclusion is only valid on the appraisal base date specified in the appraisal report. The validity period of the appraisal conclusion should be determined based on the asset status and market changes after the appraisal base date, but in principle shall not exceed one year.

11. Appraisal report date

The appraisal report date is 12 June 2024.

The appraisal report was signed by Wang Wenshu (a member of China Appraisal Society, Asset Appraiser No.: 33000231) and Wu Zhigang (a member of China Appraisal Society, Asset Appraiser No.: 33000237).

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2023 are accessible via the following hyperlinks:

- The annual report of the Company for the year ended 31 December 2021 published on 27 April 2022 (pages 54-159):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701303.pdf>

- The annual report of the Company for the year ended 31 December 2022 published on 26 April 2023 (pages 55-157):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600621.pdf>

- The annual report of the Company for the year ended 31 December 2023 published on 26 April 2024 (pages 56-163):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042602228.pdf>

2. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and the banking and other facilities (including but not limited to the internally generated cash flows, existing cash and bank balances and external borrowings) available to the Group, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

3. INDEBTEDNESS

As at the close of business on 30 June 2024, being the most recent practicable date for ascertaining information for inclusion in this statement of indebtedness, the Group had the following indebtedness:

Bank and other borrowings

	RMB'000
Current:	
Secured	4,495,641
Unsecured	<u>408,232</u>
	4,903,873
Non-current:	
Secured	502,098
Unsecured	<u>2,032</u>
	<u>504,130</u>
	<u><u>5,408,003</u></u>

The Group's loans of RMB4,997,739,000 are secured loans.

The current bank loans amounting to RMB2,207,114,000 and non-current bank loans amounting to RMB66,790,000 are guaranteed by CGA and its subsidiary. The current bank loans amounting to RMB282,775,000 and non-current bank loans amounting to RMB369,749,000 are guaranteed by land, property, plant and equipment, leasehold land and investment properties. Besides, the current bank loans amounting to RMB 20,612,000 and non-current bank loans amounting to RMB 35,881,000 are secured by the pledge of finance lease receivables. The current loans amounting to RMB921,157,000 and non-current loans amounting to RMB9,783,000 are secured by mortgages over the vehicle certificates for certain of the Group's inventories and pledge of the Group's time deposits. The current loans amounting to RMB127,539,000 are secured by deposits to suppliers and mortgages over the vehicle certificates for certain of the Group's inventories. The current loans amounting to RMB201,800,000 are secured by land, property and equipment, leasehold land and investment properties and guaranteed by CGA. The current loans amounting to RMB734,644,000 and non-current loans amounting to RMB19,895,000 are secured by mortgages over the vehicle certificates for certain of the Group's inventories and guaranteed by CGA and other companies.

As at 30 June 2024, except as disclosed above, the Group did not have any outstanding mortgages, charges, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Amounts due to related parties

As at 30 June 2024, the Group had non-trade amounts due to related parties of approximately RMB1,852,137,000 which were unsecured and unguaranteed.

Lease liabilities

The Company has lease contracts for various items of buildings and land amounting to RMB1,014,194,000 used in its operations. As at 30 June 2024, the Group's recorded current lease liabilities of RMB122,175,000 and non-current lease liabilities of RMB892,019,000, all being unsecured and unguaranteed.

Save as disclosed above and apart from normal trade and other payables in the ordinary course of business, as at the close of business on 30 June 2024, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, lease liabilities, guarantees or other material contingent liabilities.

4. MATERIAL ADVERSE CHANGE

As disclosed in the announcement of the Company dated 12 July 2024, based on the preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2024 and the information currently available to the Board, it is expected that the Company will record a loss attributable to owners of the parent of not more than RMB100 million for the six months ended 30 June 2024 as compared to the profit attributable to owners of the parent of RMB324 million for the six months ended 30 June 2023.

Save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023 (being the date to which the latest published audited financial statements of the Company were made up).

5. PROSPECTS OF THE GROUP

Automobile consumption is of great significance in boosting domestic consumption and stabilising industrial and economic development in China, and the state has always attached great importance to its position in the national economy. The 2024 report on the work of the Government pointed out that, this year's GDP growth rate is around 5%. Stable growth in consumption should be promoted through stabilising and expanding traditional consumption, encouraging and promoting the replacement of old products with new ones, and boosting the consumption of intelligent internet-connected new energy automobiles, electronic products and other bulk consumption measures. In February 2024, the State Council approved a new programme that focus on actively launching the car trade-in programme. It encourages and promotes the trade-in of consumer goods, including automobiles, to promote the demand for automobile consumption. Policy support, technology and product upgrades will inject new vitality into the automobile market, and will also effectively promote the release of passenger car market demand. According to the CAAM, it is expected that the sales volume of passenger cars in 2024 will be 26.8 million, representing a year-on-year growth of 3%.

In terms of the principal business, our Group has focused on new automobile sales, after-sales maintenance, and derivative business derived from the underlying business in order to consolidate the strategic foundation of its industrial operations. Our Group remains dedicated to the 4S stores as its core, establishing a timely and effective incentive protection mechanism to effectively empower the industry frontline. Meanwhile, while ensuring a reasonable scale, the Group will enhance the quality of its operations and further optimise its sales structure to achieve a multi-level and diverse business structure, strengthen its service capability and continuously enhance its competitiveness in the market.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 of the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

Name of Director/ chief executive	Capacity/nature of interest	Number of ordinary shares	Number of underlying shares pursuant to share options ^(1, 2)	Approximate percentage in the Company's issued voting shares
Wang Sheng	Beneficial owner	–	90,000 (L)	0.00%
Xu Xing	Beneficial owner	–	1,800,000 (L)	0.06%

Notes:

- (1) These underlying shares were unlisted option shares granted pursuant to the share option scheme of the Company.
- (2) The letter "L" denotes the person's long position in such shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial shareholders

As at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) had interests, directly or indirectly, or short positions in the Shares and underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity/ nature of interest	Number of ordinary shares ⁽³⁾	Approximate percentage in the Company's issued voting shares
China Grand Automotive Services (Hong Kong) Limited ("CGA HK") (廣匯汽車服務(香港)有限公司) ⁽¹⁾	Beneficial interest	1,945,334,071 (L)	68.56
China Grand Automotive Services Co., Ltd. ("CGA Limited") (廣匯汽車服務有限責任公司) ⁽¹⁾	Interest in controlled corporation	1,945,334,071 (L)	68.56
Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) ⁽¹⁾	Interest in controlled corporation	1,945,334,071 (L)	68.56
China Grand Automotive Services Group Co., Ltd. ("CGA") (廣匯汽車服務集團股份公司) ⁽¹⁾	Interest in controlled corporation	1,945,334,071 (L)	68.56
Baoxin Investment Management Ltd. ⁽²⁾	Beneficial interest	219,379,630 (L)	7.73
M Asia Holding Limited ⁽²⁾	Interest in controlled corporation	219,379,630 (L)	7.73
TMF (Cayman) Ltd. ⁽²⁾	Trustee interest	219,379,630 (L)	7.73
Yang Chu Yu ⁽³⁾	Founder of a discretionary trust who can influence how the trustee exercises his discretion	219,379,630 (L)	7.73

Notes:

- (1) CGA HK is wholly owned by Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) (which is in turn owned as to approximately 44.23% by CGA Limited and approximately 55.77% by CGA). CGA Limited is wholly owned by CGA. Each of CGA Limited, Shanghai Huiyong Automotive Distribution Co., Ltd. and CGA are deemed to be interested in the shares held by CGA HK.
- (2) TMF (Cayman) Ltd. in its capacity as trustee of a discretionary trust set up by Yang Chu Yu holds the entire issued share capital of M Asia Holding Limited which received 50,000 shares representing 100% interest in Baoxin Investment Management Ltd as trust distribution from a discretionary trust set up by Yang Aihua and TMF (Cayman) Ltd on 2 May 2023. Baoxin Investment Management Ltd owns 219,379,630 shares, equivalent to 7.73% shareholding in the listed corporation.

- (3) Yang Chu Yu sets up and is the settlor of a discretionary trust with TMF (Cayman) Ltd. as trustee holding 100% interest in M Asia Holding Limited. On 2 May 2023, M Asia Holding Limited was transferred 100% interest in Baoxin Investment Management Ltd. which in turn owns 7.73% shareholding in the listed corporation. Accordingly, Yang Chu Yu owns indirect interest in Baoxin Investment via her trust and holds the interest in the listed corporation.
- (4) The letter “L” denotes the person’s long position in such shares.

Save as disclosed above, the Directors are not aware of any person (other than Directors or chief executive of the Company) who, as at the Latest Practicable Date, had any interest, directly or indirectly, or short position in the Shares and underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO. Save that (i) Mr. Ma Fujiang is the chairman and executive vice president of the board of CGA; (ii) Mr. Ding Yu is the vice president, a director and the chief financial officer of CGA; and (iii) Ms. Xu Xing is the director and the secretary of the board and vice president of CGA, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

4. DIRECTORS’ SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interest in businesses which competes or was likely to compete, whether directly or indirectly, with the business of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

6. DIRECTORS’ INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group.

7. MATERIAL CONTRACT

Save as the Equity Transfer Agreement, no other contract (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within two years immediately preceding the issue of this circular and is material.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinions or advice for inclusion in this circular:

Name	Qualification
Hangzhou Xiaoran Real Estate Asset Appraisal Co., Ltd.	Qualified independent valuer in the PRC

The above expert has given and has not withdrawn its written consent to the issuer of this circular with the inclusion of its letters, reports and/or opinion, as the case may be, and references to its name in the form and context in which they respectively appear.

As the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As the Latest Practicable Date, the above expert did not have, directly or indirectly, any interest in any assets which had since 31 December 2023 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at 89 Nexus Way, Camana Bay Grand Cayman, KY1-9009 Cayman Islands.
- (b) The company secretary of the Company is Ms. Xu Xing. Ms. Xu has over 10 years of experience in senior management. Ms. Xu obtained a master's degree from University of Portsmouth, United Kingdom in 2006 and a MBA degree from Shanghai University of Finance and Economics (上海財經大學) in 2007. Ms. Xu also obtained a EMBA from China Europe International Business School (中歐國際工商學院) and the Certificate of Secretary of the Board (董事會秘書資格證書) issued by the Shenzhen Stock Exchange in 2009.

- (c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

A copy of the Equity Transfer Agreement and the valuation report in respect of the Target Company will be published on the Company's website (www.klbaoxin.com) and the HKEXnews website (www.hkexnews.hk) for a period of 14 days from the date of this circular.