
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in the Company, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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China ZhengTong Auto Services Holdings Limited

中國正通汽車服務控股有限公司

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

(Stock Code: 1728)

**POTENTIAL MAJOR TRANSACTION
IN RELATION TO
DISPOSAL OF SHENZHENSHI HUIANQI
THROUGH PUBLIC TENDER
AND
NOTICE OF EGM**

A notice convening the EGM of the Company to be held at Large Conference Room, 2nd Floor, Wuhan Baoze, Te No. 6 Huangpu Science Park, Tazihu Street, Jiangan District, Wuhan, Hubei Province, PRC on Thursday, 20 April 2023 at 2:00 p.m. is set out from pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at or before 2:00 p.m. on Tuesday, 18 April 2023) or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

27 March 2023

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DEFINITIONS

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

“Board”	the board of Directors
“China Tonghai”	China Tonghai Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Company in respect of the Potential Disposal
“Company”	China ZhengTong Auto Services Holdings Limited 中國正通汽車服務控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as defined in the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal Group”	Shenzhenshi Huianqi and Shenzhenshi Zhuoruixiang
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, to approve the Potential Disposal
“Equity Interests Transfer Agreement”	an equity interests transfer agreement to be entered into between the Group and the final purchaser in relation to the Potential Disposal
“Goldrich Holdings”	Goldrich Holdings Limited (啟富集團有限公司), a private limited company incorporated in Hong Kong
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	24 March 2023, being the latest practicable date prior to printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules

DEFINITIONS

“Potential Disposal”	the potential disposal of the Sale Shares by Goldrich Holdings through the Public Tender where the successful bidder is required to accept and bear the Related Debts
“PRC”	the People’s Republic of China
“Public Tender”	the public tender process conducted through the SUPX in respect of the Potential Disposal
“Related Debts”	the debts owed by the Disposal Group to the Group and which we expect are to be accepted and borne by the final purchaser and, which as of 30 November 2022, were of approximately RMB312 million (approximately HK\$358 million)
“Reserve Price”	the reserve price of the Potential Disposal, which is preliminarily set at approximately RMB800 million (approximately HK\$918 million) for the first Public Tender, and may be lowered as described in this circular for a subsequent Public Tender after the first Public Tender
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100% of the equity interest of Shenzhenshi Huianqi
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Shenzhen Property”	the property interests located in Shenzhen held by Shenzhenshi Zhuoruixiang with a site area of approximately 31,260.44 square metres
“Shenzhenshi Huianqi”	Shenzhenshi Huianqi Investment Advisory Co., Ltd.* (深圳市匯安啟投資諮詢有限公司), a limited liability company incorporated in the PRC
“Shenzhenshi Zhuoruixiang”	Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd.* (深圳市卓瑞翔信息諮詢有限公司), a limited liability company incorporated in the PRC and a wholly owned subsidiary of Shenzhenshi Huianqi
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“SUPX”	Shenzhen United Property and Equity Exchange* (深圳聯合產權交易所股份有限公司)
“Takeovers Code”	the Code on Takeovers and Mergers
“Valuation Report (Shenzhen Property)”	The valuation report dated 27 March 2023 prepared by Xiamen Xinhui in respect of the Shenzhen Property, the text of which is contained in Appendix II of this circular
“Working Day(s)”	Working days in the PRC, except Saturdays, Sundays and statutory holidays in the PRC
“Xiamen Xinhui”	Xiamen Xinhui Assets Valuation Land Properties Valuation Co., Ltd.* (廈門信惠資產評估土地房地產估價有限公司), an independent valuer in PRC with asset valuation qualifications
“%”	per cent

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

For illustration purposes only, the exchange rate of RMB87.107 = HK\$100, being the central parity rate as quoted on the Latest Practicable Date by the People’s Bank of China, is applied in this circular.

Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in Renminbi or Hong Kong dollars have been, could have been or may be converted at such or any other rate or at all.



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

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

(Stock Code: 1728)

Executive Directors:

Mr. WANG Ming Cheng (王明成)

(Chairman)

Mr. LI Zhi Huang (李植煌)

Mr. ZENG Ting Yi (曾挺毅)

Independent Non-Executive Directors:

Dr. WONG Tin Yau Kelvin (黃天祐)

Dr. CAO Tong (曹彤)

Ms. WONG Tan Tan (王丹丹)

Chief Executive Officer:

Mr. CHEN Hong (陳弘)

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Principal Place of business
in Hong Kong:*

Flat C, 32/F

Lippo Centre Tower 1

89 Queensway

Hong Kong

27 March 2023

To the Shareholders

Dear Sir or Madam,

**POTENTIAL MAJOR TRANSACTION
IN RELATION TO
DISPOSAL OF SHENZHENSHI HUIANQI
THROUGH PUBLIC TENDER
AND
NOTICE OF EGM**

BACKGROUND

Reference is made to the announcement of the Company dated 28 February 2023.

LETTER FROM THE BOARD

On 28 February 2023, after trading hours of the Stock Exchange, the Board approved a proposed plan to dispose of the Sale Shares. The Sale Shares represents the entire issued share capital of Shenzhenshi Huianqi, an indirectly wholly owned subsidiary of the Company. The vendor of the Sales Shares will be Goldrich Holdings, an indirect wholly owned subsidiary of the Company. The Potential Disposal will be conducted by way of Public Tender at the SUPX and the successful bidder (as the final purchaser) is required to (i) enter into the Equity Interests Transfer Agreement with the Group in accordance with the regulations of the SUPX, and (ii) accept and bear the Related Debts. The Reserve Price is preliminarily set at approximately RMB800 million (equivalent to approximately HK\$918 million). The principal asset of the Disposal Group (being Shenzhenshi Huianqi and Shenzhenshi Zhuoruixiang) is the Shenzhen Property.

The purpose of this circular is to provide you with, among other things, (i) details of the Potential Disposal (including details of Shenzhenshi Huianqi and the Shenzhen Property); (ii) certain financial information of the Group; and (iii) notice of the EGM at which an ordinary resolution will be proposed for the Shareholders to consider and if thought fit, approve the Potential Disposal.

China Tonghai acted as the financial adviser to the Company in connection with the Potential Disposal.

MAJOR TERMS OF THE POTENTIAL DISPOSAL

Public Tender

The Company will undergo the process of public tender at the SUPX in accordance with the relevant regulations. Prospective bidders are required to pay a deposit before the final day of the Public Tender.

Date and procedures of the Public Tender

The Group will submit to the SUPX announcements relating to the Public Tender setting out (including but not limited to) (i) the Reserve Price; and (ii) major terms of the bidding. The public tender process comprises preliminary disclosure and formal tender. The preliminary disclosure announcement will be published on the website of the SUPX on or before 10 April 2023. The formal tender announcement is expected to be published on the website of the SUPX within 30 days after the approval by the Shareholders at the EGM.

Although the relevant regulations provides that the period of disclosure must not be less than 20 Working Days, based on the Group's experience and market conditions, the period of disclosure is typically set at 20 Working Days immediately after the date of each of the preliminary disclosure announcement and the formal tender announcement. During the formal tender period, prospective bidders may indicate their interest and register themselves as bidders. If there are two or more prospective bidders, the final purchaser shall be determined according to the bidding procedures of the SUPX. Upon expiration of the relevant period, the SUPX will notify the Group of the identity of the final purchaser. Within 7 Working Days from the day following the notification, the Group is required to enter into the Equity Interests Transfer Agreement with such final purchaser.

LETTER FROM THE BOARD

The form of the Equity Interests Transfer Agreement prepared by the Company contains the following:

- (1) name and details of the parties to the transaction;
- (2) details of the asset to be transferred;
- (3) details of the business, assets and liabilities of the company to be transferred;
- (4) condition precedents to the transfer that includes the seller has obtained all necessary regulatory approvals; and
- (5) consideration amount and payment terms, which include the deposit paid to SUPX prior to bidding.

It is expected that the Equity Interests Transfer Agreement to be entered into between the Group and the final purchaser will require the Group to provide usual warranties about, among other things, the financial condition of the Disposal Group and to be responsible for certain debts of the Disposal Group (other than the Related Debts). The Group expects that its obligations under the usual warranties in the Equity Interests Transfer Agreement will primarily be related to the relevant fees and expenses of the Disposal Group before completion (but which may not be capable of being determined till after completion). As at the Latest Practicable Date and by reference to historical monthly average of such fees and expenses, the Company estimates that the aggregate amount of the aforementioned fees and expenses will not exceed RMB4.5 million (equivalent to approximately HK\$5.2 million), if completion takes place on 31 August 2023. In other words, such fees and expenses are expected to accumulate from 30 November 2022 to completion (assumed to be 31 August 2023 for illustration purposes). The final terms of such contractual assurances and covenants to pay the aforesaid debts, which are not the Related Debts, will be negotiated between the Group and the final purchaser before the Equity Interests Transfer Agreement is entered into.

Having considered that the terms of the Equity Interests Transfer Agreement are commonly found within a sales and purchase agreement, the Directors (including the independent non-executive Directors) are of the views that the Equity Interests Transfer Agreement is on normal commercial terms, is fair and reasonable, and is in the interest of the Company and Shareholders as a whole.

As at the Latest Practicable Date, material information of the Equity Interests Transfer Agreement including the final purchaser, final consideration, payment method, delivery and completion timeline have not been determined. To the best of the Directors' knowledge and based on information currently available to the Directors, no Connected Persons of the Company will participate in the Public Tender. In the event that any Connected Persons of the Company registered as bidder, the Company will make further announcement and comply with the relevant requirements under the Listing Rules. If the Potential Disposal constitutes a connected transaction, completion of the Potential Disposal would be conditional on, amongst others, obtaining the approval of the independent Shareholders.

LETTER FROM THE BOARD

Consideration and payment terms

Subject to the below, the final consideration will depend on the final bid price provided that it is not less than the Reserve Price. The Reserve Price for the first Public Tender is set at approximately RMB800 million (equivalent to approximately HK\$918 million) and was determined with reference mainly to (i) the net liability value of Shenzhenshi Huianqi as at 30 November 2022 of approximately RMB196,000 (equivalent to approximately HK\$225,000); (ii) the increase in value of the Shenzhen Property of approximately RMB471 million (equivalent to approximately HK\$541 million) based on the valuation of the Shenzhen Property as at 31 January 2023 according to the Valuation Report (Shenzhen Property), (iii) the Related Debts to be accepted and borne by the final purchaser, and (iv) prevailing PRC property market conditions. In the event that no successful bidder is returned in the first Public Tender, the Directors will be authorised to undertake a subsequent Public Tender for the Potential Disposal at a lower price, provided that the Reserve Price for the subsequent Public Tender is not lower than approximately RMB737 million (equivalent to approximately HK\$846 million), which is determined with reference to (a) giving a discount of not more than 10% (being the policies observed by and applicable to subsidiaries of state-owned enterprises) to the aggregate of (i) the net liability value of Shenzhenshi Huianqi as at 30 November 2022 of approximately RMB196,000 (equivalent to approximately HK\$225,000) and (ii) the increase in value of the Shenzhen Property of approximately RMB471 million (equivalent to approximately HK\$541 million) based on the valuation of the Shenzhen Property as at 31 January 2023 according to the Valuation Report (Shenzhen Property), and (b) the Related Debts to be accepted and borne by the final purchaser. Subject to the terms of the Equity Interests Transfer Agreement which shall be entered into between the Group and the final purchaser, the consideration may be paid in lump sum or instalments, but the final payment date will not exceed 1 year from the date of the Equity Interests Transfer Agreement.

Prospective bidders are required to pay a deposit in accordance with the regulations of the SUPX, the amount of which will be determined by the Group and, in the Group's experience, this is usually in the range of 5% to 30% of the Reserve Price. If a prospective bidder successfully wins the bid, the deposit will be used to satisfy part of the consideration; if a prospective bidder fails to win the bid, the SUPX will return the deposit to the prospective bidder in accordance with the regulations of the SUPX.

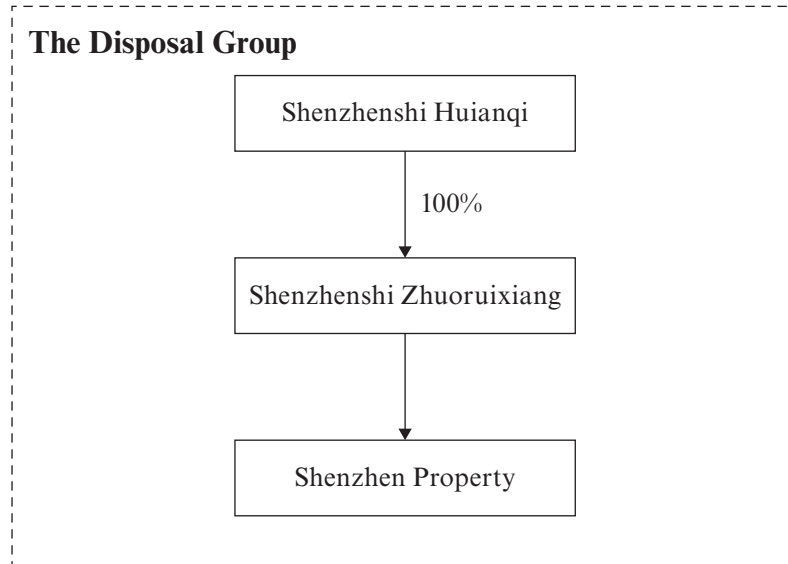
Third party consent

In addition to obtaining Shareholders' approval, the Potential Disposal will only proceed after the Group has obtained relevant consents from a third party which currently holds the Sale Shares as security for the Group's loans, or after the Group repays such third party's loans. As at the Latest Practicable Date, the Group is still discussing with the third party concerned about the Potential Disposal.

LETTER FROM THE BOARD

INFORMATION OF THE DISPOSAL GROUP

A simplified shareholding chart of the Disposal Group as at the Latest Practicable Date is as follows:



Shenzhenshi Huianqi

As at the Latest Practicable Date, each of Shenzhenshi Huianqi and Shenzhenshi Zhuoruixiang is an indirectly wholly-owned subsidiary of the Company and a limited liability company incorporated in the PRC. Shenzhenshi Huianqi is legally registered to be engaged in consulting services. The principal activity of Shenzhenshi Zhuoruixiang is consulting services and it holds the Shenzhen Property, which is the principal asset of the Disposal Group.

The Sale Shares

The Sale Shares represents the entire issued share capital of Shenzhenshi Huianqi.

The audited net liability value of Shenzhenshi Huianqi as at 30 November 2022 was approximately RMB196,000 (equivalent to approximately HK\$225,000).

LETTER FROM THE BOARD

The consolidated financial information of Shenzhenshi Huianqi for the years ended 31 December 2020 and 2021 and the 11 months ended 30 November 2022 are set out in the following table:

	For the year ended 31 December		For the 11 months ended 30 November
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax	(20)	(13)	(184)
Loss after tax	(20)	(13)	(184)

The Shenzhen Property

The Shenzhen Property is a parcel of land located at the eastern side of Heping Road, Longhua Street, Longhua District in Shenzhen. It has a site area of approximately 31,260.44 square metres which will be developed into a new industries park with a plot ratio accountable gross floor area of approximately 161,700 square metres. As at the Latest Practicable Date, the Shenzhen Property was bare land where the earth-and-stone and foundation pit support works had been commenced.

The book value of the Shenzhen Property as at 30 November 2022 was approximately RMB301 million (equivalent to approximately HK\$346 million). According to the Valuation Report (Shenzhen Property), the valuation of the Shenzhen Property as at 31 January 2023 was approximately RMB772 million (equivalent to approximately HK\$886 million).

Further details of the Shenzhen Property and its valuation is contained in the Valuation Report (Shenzhen Property), the text of which can be found at Appendix II of this circular.

INFORMATION OF THE GROUP

The Group is principally engaged in 4S dealership business and automobile supply chain business in the PRC.

Goldrich Holdings is a wholly owned subsidiary of the Company and a private limited company incorporated in Hong Kong. It is principally engaged in investment holding and will be the vendor of the Sale Shares.

LETTER FROM THE BOARD

REASONS FOR AND BENEFIT OF THE POTENTIAL DISPOSAL

Property business is not the core business of the Group. Based on the Company's 2021–2025 development strategy plan, and considering China's automobile sales industry has shown signs of gradual recovery with the pandemic receding, the Company will continue to focus on its principal business of automobile sales and services and aim to maintain high and continuous growth in such business, particularly in accelerating the development of its luxury brand dealership business, and the Company will prioritise the funding need required for its principal business. In addition, given the construction progress of the Shenzhen Property is still at its preliminary stage, it is expected that a material amount of additional development cost will be required. Taking into account also the cash flow requirements of the Group, the Potential Disposal will improve the Group's capital and debt structure and relieve the Group from the financial burden of incurring further capital expenditure on the development of the Shenzhen Property, so that the Group can focus its resources on the luxury and ultra-luxury automobile sales in China. Further, the Potential Disposal will also allow the management to focus more of their time and effort on managing the principal business of the Group.

Having considered the above factors, in particular, the Group's business strategy and development plan and the financial burden of further development of the Shenzhen Property, the Directors (including the independent non-executive Directors) are of the view that it is an opportune time to proceed with the Potential Disposal, and that the preliminary Reserve Price and other terms of the Potential Disposal and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE POTENTIAL DISPOSAL

Assuming the Potential Disposal completes, the Company will not hold any interest in the Disposal Group, and the companies in the Disposal Group will cease to be subsidiaries of the Company.

Expected gain as a result of the Potential Disposal

The actual gain on the Potential Disposal can only be ascertained after the final consideration is determined and will be subject to audit by the Company's auditor. Using the preliminary Reserve Price as basis for calculation, the Group expects to record a gain on disposal of approximately RMB471,000 (equivalent to approximately HK\$532,000). The expected gain above is calculated by deducting from the preliminary Reserve Price of approximately RMB800 million (approximately HK\$918.4 million) the followings: (i) the Related Debts of approximately RMB312 million (approximately HK\$358.2 million); (ii) the book value of the net assets of Shenzhenshi Huianqi in the Group's consolidated accounts of approximately RMB438 million (approximately HK\$503 million) as at 31 December 2022; and (iii) expected tax expenses arising from the Potential Disposal of approximately RMB49 million (approximately HK\$56.3 million).

LETTER FROM THE BOARD

Effect of the Potential Disposal on the earnings and assets and liabilities of the Group

Cash position and net asset value

Assuming the Potential Disposal proceeds at the preliminary Reserve Price, the Company will receive cash proceeds of approximately RMB800 million (approximately HK\$918 million), which amounts to approximately 79.6% of the Group's unaudited bank balances and cash as at 30 June 2022 of approximately RMB1,005 million (approximately HK\$1,154 million).

Assuming the Potential Disposal proceeds at the preliminary Reserve Price and with reference to the Group's consolidated accounts as at 31 December 2022, based on the estimation of the Board, the Group's assets and liabilities immediately after the Potential Disposal would decrease by approximately RMB1 million (approximately HK\$1.1 million) and RMB1.5 million (approximately HK\$1.7 million) respectively. The net asset value of the Group immediately after the Potential Disposal would increase by approximately RMB471,000 (approximately HK\$532,000), which amounts to approximately 0.1% of the unaudited net asset value of the Group as at 30 June 2022 of approximately RMB537 million (approximately HK\$616 million).

Earnings

The total loss of the Group for the year ended 31 December 2021 was approximately RMB3,781 million (approximately HK\$4,341 million), respectively. Assuming the Potential Disposal proceeds at the preliminary Reserve Price, it is expected to record a gain on disposal of approximately RMB471,000 (approximately HK\$532,000), which is not expected to significantly change the earnings base for the Group in the immediate.

USE OF PROCEEDS

The proceeds from the Potential Disposal are intended to be used for general working capital of the Group (including but not limited to paying suppliers and repaying any debts of the Group).

LISTING RULES IMPLICATIONS

Based on the preliminary Reserve Price, the relevant percentage ratios (calculated according to the Listing Rules) in respect of the Potential Disposal are expected to be more than 25% but less than 75%. Accordingly, the Potential Disposal, if materialized, will constitute a major transaction of the Company pursuant to Rule 14.06 of the Listing Rules and is subject to reporting, announcement, circular, and Shareholders' approval requirements.

To the best of the Directors' knowledge and based on information currently available to the Directors, no Shareholders is required to abstain from voting the resolution to be proposed at the EGM to approve the Potential Disposal by way of Public Tender.

LETTER FROM THE BOARD

After the final consideration and final purchaser have been confirmed, the Company will make further announcement when the Group enters into the Equity Interests Transfer Agreement with the final purchaser. In the event the Potential Disposal falls into another category of notifiable transaction (other than a major transaction) under Chapter 14 of the Listing Rules, the Company will make further announcement(s) and comply with the relevant requirements under the Listing Rules, including but not limited to further shareholder's approval and circular requirements if the Potential Disposal falls into a higher classification of notifiable transaction (e.g. a very substantial disposal).

THE EGM

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has a material interest in the Potential Disposal and no Shareholder is required to abstain from voting on the resolution to approve the Potential Disposal at the EGM.

A notice convening the EGM to be held at Large Conference Room, 2nd Floor, Wuhan Baoze, Te No. 6 Huangpu Science Park, Tazihu Street, Jiangan District, Wuhan, Hubei Province, PRC on Thursday, 20 April at 2:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. An ordinary resolution will be proposed at the EGM and, if thought fit, passed by the Shareholders by way of poll to approve the Potential Disposal.

For determining the entitlement to attend and vote at the EGM, the register of Shareholders of the Company will be closed from Monday, 17 April 2023 to Thursday, 20 April 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 14 April 2023.

A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. at or before 2:00 p.m. on Tuesday, 18 April 2023) or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM or the adjourned meeting if you so wish, and in such event, the said form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATION

The Board (including all the independent non-executive Directors) considers that the terms of the Potential Disposal are fair and reasonable and that the Potential Disposal is in the interests of the Company and its Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the resolution set out in the notice of the EGM.

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

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

1. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had the following indebtedness:

Bank loans and other borrowings

As at 31 January 2023, the Group had outstanding borrowings as follows:

	<i>RMB'000</i>
Guaranteed secured borrowings	7,957,123
Guaranteed unsecured borrowings	5,898,419
Unguaranteed unsecured borrowings	<u>5,006,973</u>
	<u><u>18,862,515</u></u>

Assets pledged as security

	<i>RMB'000</i>
Cash and bank deposit	2,563,069
Property, plant and equipment	728,775
Intangible asset	571,070
Inventory	1,212,171
Shares of subsidiary	<u>739,394</u>
	<u><u>5,814,479</u></u>

Lease liabilities

As at 31 January 2023, the Group had lease liabilities of approximately RMB1,256 million.

Capital commitments

As at 31 January 2023, capital commitments of the Group were as follows:

	<i>RMB'000</i>
Contracted for	<u>1,281,741</u>

Save as disclosed above, except and apart from the intra-group liabilities and normal trade payables in the ordinary course of business of the Group, as at the close of business on 31 January 2023, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities,

borrowings or other similar indebtedness, lease liabilities or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges or guarantees or other material contingent liabilities.

2. WORKING CAPITAL

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

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first half of 2022, the Group has managed to achieve growth in its automobile dealership business despite the various challenges brought forth by the pandemic and supply restrictions within the industry. For the 6 months ended 30 June 2022, the Group recorded a revenue of approximately RMB11,069 million, representing a period-on-period growth of approximately 15.2%, and gross profit of approximately RMB949 million, representing a period-on-period growth of approximately 2,961.3%.

Going forward, the Group will focus on its main business of automobile sales and services and aim to maintain high and continuous growth, particularly in respect of the development of its luxury brand dealership business. The Company will take advantage of merger and acquisition opportunities as the industry consolidates to continuously improve its luxury brand dealership network. In terms of its existing network, the Company will progress its facility renovation and capacity expansion plan, and continue to close down or convert stores with poor profitability in order to revitalize existing assets and optimize brand structure and regional distribution. The Group will continue to adhere to a development path underpinned by a dual emphasis on scalable advantages and efficiency improvement, further bring its cost advantages into play and enhance the level of specialisation and regulation in its businesses and standardisation in its processes. The Group will develop its brand and competitiveness through digitalisation and consistently enhance its service capacity and customer loyalty.

By tapping into the dealership group's natural advantages in the pre-owned vehicle business, the Group will vigorously expand the scale of its pre-owned vehicle business, improve profitability, enhance the scale and profitability of its certified pre-owned vehicle retail business and improve the influence of its pre-owned vehicle brands in the market. At the same time, the Group will pay close attention to the new energy vehicle service industry, actively cooperate with up and coming new energy vehicle manufacturing brands, leading domestic independent brands and traditional international luxury brands on the sales services of new energy vehicles. The Group will expand its network, improve its authorized maintenance and new models of operation such as centralized plate and spray center by capitalizing on its resource advantages in terms of facilities, customer groups and marketing channels and explore business opportunities within the new energy service industry chain while rapidly improving business scale.

The following is the text of the report dated 27 March 2023 prepared for the purpose of incorporation in this circular received from Xiamen Xinhui, an independent valuer, in connection with its valuation as at 31 January 2023 of the property interests held by the Group.

This report is prepared in accordance with the PRC Asset Valuation Standards.

**ASSET VALUATION REPORT IN RESPECT OF
THE INTENTION OF WUHAN ZHENG TONG UNITED INDUSTRIAL INVESTMENT
GROUP CO., LTD. TO UNDERSTAND THE MARKET VALUE OF THE
CONSTRUCTION IN PROGRESS AND LAND USE RIGHTS BELONGING TO
SHENZHENSHI ZHUORUIXIANG INFORMATION ADVISORY CO., LTD.***

Xin Hui Ping Bao Zi (2023) No. XZ2302
(Volume 1 of 1)

Xiamen Xinhui Assets Valuation Land Properties Valuation Co., Ltd.*
(廈門信惠資產評估土地房地產估價有限公司)

27 March 2023
Unit 01, Room 1001, Electric Control Building,
No. 209, Douxi Road, Siming District, Xiamen

SCOPE OF RESPONSIBILITIES

Xiamen Xinhui Assets Valuation Land Properties Valuation Co., Ltd.*, which is the valuation agency of Wuhan Zhengtong United Industrial Investment Group Co., Ltd. assisting it in understanding the market value of the land use rights and construction in progress located on the east side of Heping Road in Longhua Street of Longhua District of Shenzhen, Guangdong Province, of Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd.*,

hereby makes the following statement:

In valuing the land, we have complied with the requirements set out in Chapter 5 and article 4.1 in Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Valuation Standards published from time to time by the International Valuation Standards Council. Xiamen Xinhui Assets Valuation Land Properties Valuation Co., Ltd. was founded and registered with Xiamen Administration for Market Regulation on 8 August 2005 with the approval of the relevant competent authority. The company is a corporate member of China Institute of Real Estate Appraisers and Agents, committee member of Fujian Real Estate Association, standing committee member of the Real Estate Intermediary Association of Xiamen, member of China Real Estate Valuers and Agents Association and committee member of Xiamen Appraisal Society.

The company has:

1. the Qualification Certificate of Real Estate Appraisal Institution issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China, with the qualification grade of class I and the certificate number of "352018011", which is entitled to engage in real estate appraisal business of various purposes and types nationwide;
2. the Letter on the Record-keeping of Xiamen Xinhui Assets Valuation Land Properties Valuation Co., Ltd. issued by the office of Department of Land and Resources in Fujian Province, with certificate No. "Min Tu Gu Bei Zi [2020] No. 0031", which is entitled to engage in land appraisal business nationwide;
3. the Announcement for Filing of Xiamen Municipal Bureau of Finance on Changes of Xiamen Xinhui Assets Valuation Land Properties Valuation Co., Ltd. issued by Xiamen Municipal Bureau of Finance, with certificate No. "Xia Cai Kuai Bei Zi [2022] No. 9", which is entitled to engage in asset appraisal business nationwide.

IDENTITIES AND QUALIFICATIONS OF ASSET VALUERS

The asset valuers participating in the valuation of the project are asset valuation professionals registered by China Appraisal Society and abide by its professional ethics rules. The main achievements of the two asset valuers are listed as follows:

1. Zheng Linling, who is an asset valuer, a Registered Real Estate Appraiser, and a Registered Land Appraiser, has been engaged in real estate appraisal business for more than 15 years, and asset appraisal business for more than 4 years, with a great understanding on the current domestic market, as well as the necessary skills and knowledge to conduct valuation. She is currently a member of the China Institute of Real Estate Appraisers and Agents (CIREA), and a practicing member of the China Appraisal Society.
2. Wu Yanping, who is an asset valuer, and a practicing member of the China Appraisal Society, has been engaged in appraisal business for more than 3 years, with necessary skills and knowledge to conduct valuation.

The main achievements of the two asset valuers are listed as follows:

Name	Registration No.	Project Name
Zheng Linling	36190030	Rental Assessment of the Eighth and Tenth School Building on the Shanghai Road Campus of Nanchang Hangkong University (南昌航空大學上海路校區第八教學樓及第十教學樓房地產市場租金水平評估)
		Judicial Auction Appraisal of Room 301, Unit 2, Building 2, Mingshi Garden, No. 148, Changzheng West Road, Changteng Town, Xinjian District, Nanchang, Jiangxi Province (江西省南昌市新建區長堍鎮長征西路148號名仕花園2棟2單元301室司法拍賣評估)
		Judicial Auction Appraisal of Room 1605, Building 41, Commercial Block B of Xinjian Centre, No. 198, Changmai South Road, Xinjian District, Nanchang (南昌市新建區長麥南路198號(新建中心)商業B地塊41棟1605室司法拍賣評估)
		Judicial Auction Appraisal of 2/F, No.15, Shabeiqiao Road, Yichun and Room 513, 1-3/F, Building 20, Building Materials Market, No. 115, Yiyang Avenue, Yichun (宜春市沙背橋路15號2層、宜春市宜陽大道115號建材市場20棟1-3層513室司法拍賣評估)
		Mortgage Valuation of the Industrial Properties Located in Lot B-02-09, Chetou Avenue, Chancheng New District, Anyuan County (安遠縣產城新區車頭大道B-02-09地塊工業房地產抵押貸款評估)

Name	Registration No.	Project Name
Wu Yanping	39210005	All Equity Value of Its Shareholders involved in the Proposed Equity Transfer of Xiamen Duokuaihaosheng Network Technology Co., Ltd. (廈門多快好省網絡科技有限公司擬轉讓股權事宜涉及的其公司股東全部權益價值)
		All Equity Value of Its Shareholders involved in the Proposed Equity Transfer of Duokuaihaosheng (Xiamen) Asset Management Co., Ltd. (多快好省(廈門)資產管理有限公司擬轉讓股權事宜涉及的其公司股東全部權益價值)
		Value of the right to operate the canteen and retail store on the second floor of Xiamen No. 1 High School (Haicang Campus) of Fujian involved in the intention of Xiamen No. 1 High School of Fujian to understand the value of its operation rights due to internal management needs (福建省廈門第一中學因內部管理需要而瞭解經營權價值涉及的福建省廈門第一中學(海滄校區)二樓食堂和小賣部經營權價值)
		Market Value of 37 Individual Assets, including Raw Materials, Goods in Stock, Machinery and Equipment, Vehicles and Electronic Equipment involved in the Asset Transfer of Xiamen Xiagong Xiehua Machinery Co., Ltd. (廈門廈工協華機械有限公司資產轉讓涉及的原材料、庫存商品、機器設備、車輛、電子設備等 37項單項資產市場價值)
		Five Heavy-duty Trucks of Special Structure (including Min AM3290) involved in Property Disposal Execution of People's Court of Jimei District in Xiamen (廈門市集美區人民法院執行財產處置涉及的閩AM3290號等五輛重型特殊結構貨車)

STATEMENTS OF ASSET VALUERS

- I. This asset valuation report was prepared in accordance with the Basic Standards on Assets Valuation issued by the Ministry of Finance, as well as the Practicing Guidelines for Assets Valuation and Code of Ethics for Assets Valuation issued by China Appraisal Society.
- II. The principal or other users of the asset valuation report shall use the asset valuation report in accordance with laws, administrative rules and regulations, and the scope of use set out in the asset valuation report. The asset valuation agency and the asset valuers disclaim any liability arising from the use of this asset valuation report by the principal or other users of the report in violation of the aforesaid requirements.
- III. This asset valuation report shall only be used by the principal, other users of the asset valuation report specified in the asset valuation entrustment contract, and users of the asset valuation report stipulated in laws, administrative rules and regulations. Save for the above, any other agency or individual shall not be a user of the asset valuation report.
- IV. The users of the asset valuation report should establish a proper understanding of the valuation conclusion. The valuation conclusion is not equal to, and should not be regarded as a guarantee for the realizable value of the valuation target.
- V. The asset valuation agency and asset valuers have complied with the laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, and are responsible for the asset valuation report issued by them under the laws.
- VI. The list of assets associated with the valuation target shall be confirmed with signatures, seals or other ways as permitted under the laws by the principal; the principal and other parties concerned are legally liable for the authenticity, legality and completeness of the information provided.
- VII. We, the asset valuers, do not have any existing or potential interests in the valuation target as specified in the valuation report; and we do not have any existing or potential interests in any of the parties involved, nor do we have any prejudice against these parties involved.
- VIII. The asset valuers have conducted on-site investigations of the valuation target as referred to in the asset valuation report; have given necessary attention to and checked the status of the legal titles with respect to the valuation target and the assets involved, and truthfully disclosed the identified issues, and requested the principal and the parties involved to perfect the titles, so as to meet the requirements for issuing the asset valuation report.

- IX. The analysis, judgments and conclusions of the asset valuation report issued by the asset valuation agency are subject to the assumptions and limitations stated in asset valuation report; the asset valuation report users should fully consider the assumptions, limitations, notes on special matters and restrictions on the use of and their impacts on the valuation conclusions contained in the asset valuation report.
- X. The asset valuation report is issued based on the material and information provided by relevant parties concerned. The truthfulness, completeness and compliance of such material and information have impacts on the valuation conclusions, and valuation conclusions different from those in this report may be arrived based on other material or information on the same target asset.

SUMMARY OF ASSET VALUATION REPORT**IN RESPECT OF THE INTENTION OF WUHAN ZHENG TONG UNITED
INDUSTRIAL
INVESTMENT GROUP CO., LTD. TO
UNDERSTAND THE MARKET VALUE OF THE CONSTRUCTION IN PROGRESS
AND
LAND USE RIGHTS BELONGING TO
SHENZHENSHI ZHUORUIXIANG INFORMATION ADVISORY CO., LTD.*****XIN HUI PING BAO ZI (2023) NO. XZ2302**

Engaged by Wuhan Zhengtong United Industrial Investment Group Co., Ltd., Xiamen Xinhui Assets Valuation Land Properties Valuation Co., Ltd.* appraised the market value of the construction in progress and land use rights as at 31 January 2023 belonging to Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd.*, which is involved in the intention of Wuhan Zhengtong United Industrial Investment Group Co., Ltd. to understand the market value, adopting cost method and coefficient correction method of benchmark price under the principles of independence, objectivity and impartiality in accordance with the requirements of relevant laws, administrative regulations and asset valuation standards, and subject to the required valuation procedures. The asset valuation is currently summarized as follows:

Purpose of Valuation: to provide the reference value for the construction in progress and land use rights belonging to Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd.* involved in the intention of Wuhan Zhengtong United Industrial Investment Group Co., Ltd. to understand their market value.

Valuation Target: construction in progress and land use rights belonging to Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd.*

Scope of Valuation: land use rights and construction in progress located on the east side of Heping Road in Longhua Street of Longhua District of Shenzhen, Guangdong Province, of Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd., the specific scope is subject to the declaration statement provided by the principal.

Benchmark Date: 31 January 2023.

Type of Value: market value.

Valuation Method: cost method, coefficient correction method of benchmark price.

Valuation Conclusion: Under the premise of the open market, the relevant assumptions in this report, and the notes on special matters and restrictions on use in this report, the value of the construction in progress and land use rights belonging to Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd. as at the benchmark date, being 31 January 2023, was **RMB seven hundred seventy-two million and four hundred eighty thousand and five hundred or RMB772,480,500** representing an appreciation of **RMB471,038,000** or **156.26%** as compared to the carrying amount of **RMB301,442,500**. See the evaluation statement for details.

The valuation report may only be applied to the valuation purpose and usage and by users stipulated therein. The valuation report is valid until 30 January 2024.

In use of the valuation conclusion, users of the report are advised to take into account the assumptions, limitations, special notes and subsequent matters of significance stipulated in the report.

This summary is extracted from the text of the valuation report. For the purpose of understanding the details of this valuation and a proper comprehension of the valuation conclusion, please read the text of the valuation report.

FULL TEXT OF THE ASSET VALUATION REPORT

IN RESPECT OF THE INTENTION OF WUHAN ZHENG TONG UNITED INDUSTRIAL INVESTMENT GROUP CO., LTD. TO UNDERSTAND THE MARKET VALUE OF THE CONSTRUCTION IN PROGRESS AND LAND USE RIGHTS BELONGING TO SHENZHENSHI ZHUORUIXIANG INFORMATION ADVISORY CO., LTD.*

Xin Hui Ping Bao Zi (2023) No. XZ2302

To Wuhan Zhengtong United Industrial Investment Group Co., Ltd.:

Engaged by the Company, Xiamen Xinhui Assets Valuation Land Properties Valuation Co., Ltd.* appraised the market value of the construction in progress and land use rights as at 31 January 2023 belonging to Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd.*, which is involved in the intention of Wuhan Zhengtong United Industrial Investment Group Co., Ltd. to understand the market value, adopting cost method and coefficient correction method of benchmark price under the principles of independence, objectivity and impartiality in accordance with the requirements of relevant laws, administrative regulations and asset valuation standards, and subject to the required valuation procedures. The valuation details and valuation results are reported as follows:

I. THE PRINCIPAL, THE APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT

The principal of the asset valuation is Wuhan Zhengtong United Industrial Investment Group Co., Ltd., and the valuation target is Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd..

(I) the Principal

Name of company:	Wuhan Zhengtong United Industrial Investment Group Co., Ltd.
Unified social credit code:	91420100744753216R
Address:	No. 88 West Checheng Road, Wuhan Economic and Technological Development Zone
Nature:	Company with limited liability (Taiwan, Hong Kong, Macao and domestic joint venture)

Legal representative: WANG Ming Cheng

Registered capital: RMB1,410 million

Scope of business: investment in research and development, production and sales of automobiles and auto parts; general cargo transport by road; warehousing and logistics services; wholesale and retail of automobiles and auto parts; automobile decoration, maintenance and beauty; car cleaning; wholesale and retail of auto parts, lubricating oil (excluding refined oil); automobile boutiques, automobile paint, automobile engine oil, building materials, steel, non-ferrous metal materials and products (excluding precious metals), hardware and electric materials, mechanical and electrical products; self-operation or agent import or export of various commodities and technologies (excluding commodities and technologies restricted or prohibited from import or export by the state); economic information consultation, investment consulting; training and consultation in corporate technology, finance and management; design, production, agency and release of announcement; corporate graphic design, corporate image planning and marketing planning. (Activities that required approval according to laws shall be operated after obtaining the approval of relevant authorities.)

(II) Appraised Entity

Name of company: Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd.

Unified social credit code: 91440300087717329M

Address: K283, 2/F, Yingbo Office Building, No. 61 East Ring 2nd Road, Fukang Community, Longhua Street, Longhua District, Shenzhen

Nature: limited liability company (solely owned legal person)

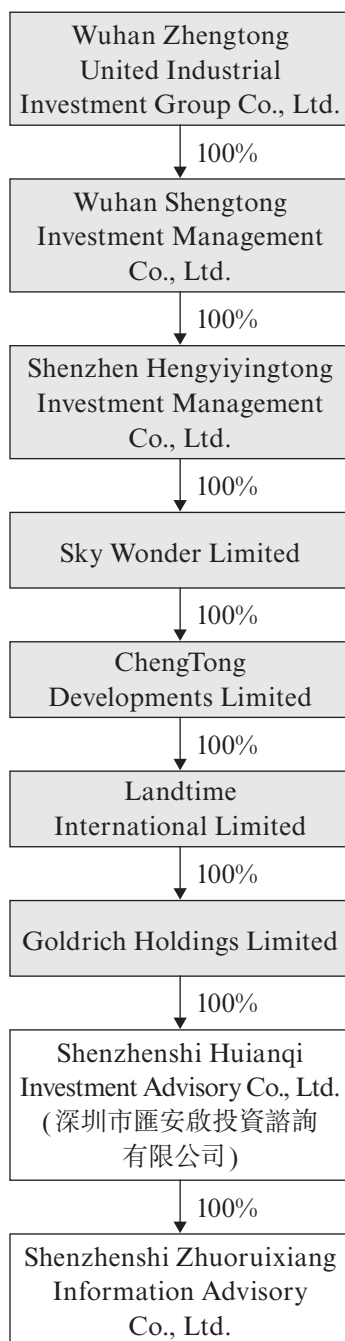
Legal representative: Zhang Guocheng

Registered capital: RMB32 million

Scope of business: general activities, including economic information consulting, corporate management consulting and business consulting; computer software and hardware design, network technology, application software, system integration research and development, technical consultation; domestic trade; realty management; investment consulting; sales of building materials, hardware and electric materials, machinery and equipment; machinery and equipment leasing; self-owned property leasing; and permitted activities are real estate development within the scope of land use rights legally obtained; and provision of motor vehicle parking service.

(III) Relationship between the Principal and the Appraised Entity

The principal, Wuhan Zhengtong United Industrial Investment Group Co., Ltd., is the controlling shareholder of Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd., the appraised entity. The shareholding structure of the Company is as follows:



(IV) Other Users of the Valuation Report as Stipulated under the Asset Valuation Engagement Contract

The users of this valuation report are Wuhan Zhengtong United Industrial Investment Group Co., Ltd., Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd., competent authorities related to the economic behaviour to understand the market value and other users of the valuation report stipulated by national laws and regulations.

II. PURPOSE OF VALUATION

Wuhan Zhengtong United Industrial Investment Group Co., Ltd. engaged us to conduct an asset valuation on the market value of the construction in progress and land use rights as at 31 January 2023 belonging to Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd., to provide value reference for their understanding of market value and for no other purpose.

III. VALUATION TARGET AND SCOPE OF VALUATION**(I) Valuation target**

Construction in progress and land use rights belonging to Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd.

(II) Scope of valuation

Construction in progress and land use rights belonging to Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd. as at the benchmark date. The specific scope is subject to the declaration statement provided by the principal. The details of the construction in progress and land use rights are as follows:

1. Construction in progress**(1) Basic condition**

The construction in progress is Shenzhen Zhengtong Automobile Innovation Service Industrial Park located at the east side of Heping Road in Longhua Street of Longhua District of Shenzhen, Guangdong province, which is invested and established by Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd.. R&D buildings, plants, dormitories, canteens, business districts and space for cultural activity and bus stations will be erected on the industrial park. The construction work commencement permit for the industrial park was obtained on 25 September 2019, and the permitted period for construction is from 10 September 2019 to 15 February 2020. As of the benchmark date, the construction work commencement permit has expired and the project is currently suspended, thus the completion date

cannot be expected. As at the benchmark date, the carrying amount of the construction in progress was RMB105,257,542.97. It is estimated that the total cost of completion is approximately RMB2,254 million.

(2) Physical condition

The project is currently suspended; earthwork and foundation pit support work has been implemented, and the construction of foundation and major engineering has not yet begun.

2. Intangible asset — land use rights

(1) Basic condition

The carrying amount of the intangible asset — land use rights in valuation is RMB196,185,025.39.

No.	Land title certificate number	Location	Nature of land use	Land usage	Area (m²)
1	Yue (2020) Shenzhen Real Estate Title No. 0016945 (粵(2020)深圳市不動產權第0016945號)	East side of Heping Road in Longhua Street of Longhua District, Shenzhen	Grant	Land for novel industries	31,260.44

Note:

The on-site inspection was conducted by Wu Yanping, who is a practicing member of the China Appraisal Society and has been engaged in appraisal business for more than 3 years, on 23 December 2022.

The real estate certificate indicates that the total area of the land use rights in valuation is 31,260.44 square meters, and the gross floor area that is included in plot ratio is 161,700 square meters, comprising R&D buildings of 109,500 square meters, plants of 28,000 square meters, dormitories of 19,400 square meters, canteen of 1,000 square meters, business district of 1,000 square meters, space for cultural activities of 1,000 square meters and bus stations of 1,800 square meters. Premise for sports activities of no more than 5,000 square meters was set up in the community. The term of use is 50 years from 22 September 2005 to 21 September 2055. The land use right is unsecured and there is no restriction of other rights.

(2) Physical condition

Based on the on-site inspection of the valuer on 23 December 2022, the registration purposes and use condition comply with the actual condition and the degree of development has reached “six accesses” beyond the red lines of the land (i.e., access to road, electricity, telecommunication, water supply, drainage and gas supply), and “leveled ground” within the red line of the land.

The valuation target and scope of valuation above are in line with the asset valuation target and scope of valuation involved in the economic behaviour of the intention of Wuhan Zhengtong United Industrial Investment Group Co., Ltd. to understand the market value.

IV. TYPE OF VALUE

The type of value to be evaluated is determined to be the market value.

Market value is, under appropriate market condition, the estimated value amount for which the valuation target should exchange on the valuation benchmark date between a willing buyer and a willing seller in a normal and arm’s length transaction, where the parties have each acted rationally without compulsion.

The type of value is determined to be the market value following the principle that it is consistent with the purpose of the valuation taking into full consideration of the combined factors such as the market conditions and the condition of the valuation target.

V. VALUATION BENCHMARK DATE

The benchmark date of this asset valuation is 31 January 2023, which was agreed in the asset valuation engagement contract and complies with the purpose of the valuation. All standards for pricing in this valuation are effective price standards as at the valuation benchmark date.

VI. BASIS OF VALUATION

(I) Basis of economic behaviour

1. Asset Valuation Engagement Contract signed between Wuhan Zhengtong United Industrial Investment Group Co., Ltd. and us.

(II) Legal basis

1. Asset Appraisal Law of the People’s Republic of China (《中華人民共和國資產評估法》) (adopted at the 21st Meeting of the Standing Committee of the 12th National People’s Congress on 2 July 2016, effective from 1 December 2016);

2. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (adopted at the 3rd Meeting of the Standing Committee of the 13th National People's Congress on 28 May 2020, effective from 1 January 2021);
3. Financial Supervision and Management Measures of Assets Evaluation Industry (《資產評估行業財政監督管理辦法》) (Decree No. 86 of the Ministry of Finance);
4. Rules on the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) (Decree No. 65 of the Ministry of Finance of People's Republic of China and State Administration of Taxation);
5. Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) (Decree No. 691 of the State Council of People's Republic of China);
6. Measures for the Administration of State-owned Assets Appraisal (《國有資產評估管理辦法》) (Decree No. 91 in 1991 and Decree No. 732 in 2020 of the State Council of People's Republic of China);
7. Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (Revision Decree No. 709 in 2019 of the State Council of the People's Republic of China);
8. Other relevant laws, regulations and documents.

(III) Evaluation criteria

1. Basic Standards on Assets Valuation (Cai Zi [2017] No. 43) (《資產評估基本準則》(財資[2017]43號));
2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30) (《資產評估職業道德準則》(中評協[2017]30號));
3. Practice Guidelines for Asset Valuation-Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36) (《資產評估執業準則 — 資產評估程序》(中評協[2018]36號));
4. Practice Guidelines for Asset Valuation-Asset Valuation Report (Zhong Ping Xie [2018] No. 35) (《資產評估執業準則 — 資產評估報告》(中評協[2018]35號));
5. Practice Guidelines for Asset Valuation-Asset Valuation Entrustment Contract (Zhong Ping Xie [2017] No. 33) (《資產評估執業準則 — 資產評估委託合同》(中評協[2017]33號));

6. Practice Guidelines for Asset Valuation-Asset Valuation File (Zhong Ping Xie [2018] No. 37) (《資產評估執業準則 — 資產評估檔案》(中評協[2018]37號));
7. Practice Guidelines for Asset Valuation-Asset Valuation Method (Zhong Ping Xie [2019] No. 35) (《資產評估執業準則 — 資產評估方法》(中評協[2019]35號));
8. Practice Guidelines for Asset Valuation-Real Estate (Zhong Ping Xie [2017] No. 38) (《資產評估執業準則 — 不動產》(中評協[2017]38號));
9. Practice Guidelines for Asset Valuation-Intangible Assets (Zhong Ping Xie [2017] No. 37) (《資產評估執業準則 — 無形資產》(中評協[2017]37號));
10. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42) (《企業國有資產評估報告指南》中評協[2017]42號);
11. Terms for Asset Appraisal Standard 2020 (Zhong Ping Xie [2020] No. 31) (《資產評估準則術語2020》(中評協[2020]31號));
12. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2018] No. 38) (《資產評估價值類型指導意見》(中評協[2018]38號));
13. Guiding Opinions on Legal Ownership of the Target of Asset Valuation (Zhong Ping Xie [2017] No. 48) (《資產評估對象法律權屬指導意見》(中評協[2017]48號));
14. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46) (《資產評估機構業務質量控制指南》(中評協[2017]46號));
15. Practice Guidelines for Asset Valuation-Use of Expert and Related Reports (Zhong Ping Xie [2017] No. 35) (《資產評估執業準則 — 利用專家工作及相關報告》(中評協[2017]35號));
16. Chapter V of the Rules Governing the Listing of Securities promulgated by The Stock Exchange of Hong Kong Limited;
17. The HKIS Valuation Standards published by the Hong Kong Institute of Surveyors;
18. International Valuation Standards published by the International Valuation Standards Council;
19. Other relevant regulations, standards, guidelines, guiding opinions and their interpretations and elaborations.

(IV) Basis of ownership

1. Copies of Real Estate Certificates, contracts and others;
2. Business license of the appraised entity;
3. Copies of other relevant certificates.

(V) Pricing basis

1. Information recorded and collected by the valuers during on-site survey and market conditions;
2. Marked Land Price Results 2022 of Shenzhen (《深圳市2022年度標定地價成果》) issued by the Shenzhen Municipal Planning and Natural Resources Bureau;
3. National standard of the People's Republic of China, Regulations on Urban Land Valuation (GB/T18508-2014);
4. Notice of Shenzhen Municipal Planning and Natural Resources Bureau on Printing and Distributing the appendix of "Rule of Calculation of Land Price of Shenzhen" (Revised in 2020)(SHGZF [2020] No. 194) (《深圳市規劃和自然資源市局關於印發《深圳市地價測算規則》附表(2020年修訂稿)的通知》(深規劃資源發[2020]194號));
5. Other relevant information.

(VI) Other basis

1. Other relevant information collected by asset valuers.

VII. VALUATION APPROACH**(I) Introduction of valuation approach**

The asset valuation approach refers to the ways and means of assessing the value of the asset. Asset valuation approach mainly comprises three basic approaches (market approach, income approach and cost approach) and their derivatives.

1. The market approach refers to the appraisal approach of selecting several identical or similar assets as a reference, comparing the price of the appraised assets with that of each reference and making adjustments based on the various factors that may affect the value of the assets, and then comprehensively analyzing each adjustment result, to determine the value of the appraised assets.

2. Income approach is a kind of asset appraisal method of deriving the appraised value of the assets being evaluated through estimation of the future expected return of assets and conversion into the present value at an appropriate discount rate, which will then be accumulated as a cumulative sum. The income approach is the quantification and present value of the expected profitability of the valuation target, which emphasises the expected profitability of the valuation target as a whole.
3. The cost approach is a valuation approach that determines the existing value of the valuation target as the total cost required to acquire or construct the valuation target in brand new condition under the existing circumstances, less physical, functional and economical depreciation of the valuation target. The cost approach may also be applied by firstly estimating how new the appraised asset is as compared with the brand new condition, i.e. the newness rate, and then multiplying the total cost by the newness rate. The resulting product will be the appraised value.

(II) Selection of valuation approach

1. *Construction in progress*

Based on the specific purpose of this valuation and the features of the construction in progress to be valued and the prerequisite of continued use of assets, the value of the construction in progress is estimated and calculated adopting cost approach. In other words, the appraised value is determined based on the total cost incurred to reconstruct the work already completed for the construction in progress on the valuation benchmark date. The specific item and amount shall be determined based on the standards promulgated and still being implemented by the relevant authorities and the prevailing prices available at the valuation benchmark date.

After verifying and reviewing the relevant information of the construction in progress, as only early-stage expense and construction cost had been incurred, of which the carrying amount is in line with its fair value at the valuation date, the appraised value of the construction in progress was determined based on the audited carrying amount.

2. *Intangible assets — land use rights*

The approach of assessing the land use right shall be selected based on the characteristics, specific conditions and actual situation of the land to be assessed, taking into consideration the land market in the area where the land to be assessed and the relevant data collected by the valuers, and the approach suitable for the price of the land use right to be assessed shall be analyzed and selected. Through comprehensive analysis, the valuers determined to adopt the coefficient correction method of benchmark price.

The coefficient correction method of benchmark price is an approach to determine the price of the land on the valuation date by selecting three or more comparable marked prices announced by the government based on alternative principle and making corrections for the relevant influencing factors by comparing the transaction situation, date of transaction and individual conditions of the appraised land with the comparable cases.

Basic formula:

$$P = PS \times A \times B \times C \times D$$

of which:

- P — price of the appraised land;
- PS — marked price;
- A — transaction situation correction coefficient;
- B — transaction date correction coefficient;
- C — specific condition correction coefficient;
- D — term of use correction coefficient.

The purpose of land to be assessed is a new industrial use land, which is divided into different land usages including R&D buildings, plants, dormitories, canteens, business districts and space for cultural activity and bus stations. Among them, the space for cultural activity and bus stations are public supporting facilities, which will be transferred to the government for free, and the property rights belong to the government, so the price of the this part of the land is not calculated separately. For the others, the coefficient correction method is applied separately according to their applicable types of marked price: office (R&D buildings, canteens), industrial (plants, R&D buildings, canteens), residential (dormitories) and commercial. Each of the selected marked prices for each applicable type is adjusted according to the differences in transaction situation, date and specific factor based on the above basic formula, followed by uniform adjustments on the term of use, building types and property rights conditions. The correction coefficients are determined by valuers based on the Rule of Calculation of Land Price of Shenzhen (《深圳市地價測算規則》), after comparing the specific circumstances of the appraised land with comparable cases on various factors.

According to the requirements of Regulations on Urban Land Valuation (GB/T18508-2014), this appraisal is based on the Marked Land Price Results 2022 of Shenzhen (《深圳市2022年度標定地價成果》) issued by the Shenzhen Municipal Planning and Natural Resources Bureau, and three comparable cases were selected for each of the above four applicable types of marked price from all published marked prices, of which (i) the transaction dates were not more than 3 years from the valuation date; (ii) their similarities with the appraised land was greater than their differences; (iii) the land use of the comparable cases should be the same as that of the appraised land; (iv) the land conditions are basically the same; (v) the comparable cases are normal (or can be corrected to normal) transaction cases located in the adjacent areas or similar areas within the same

supply and demand circle. As certain standard lands are quite different from the appraised land and they do not meet the criteria for being selected as comparable cases, the three cases closest to the above criteria were selected for this valuation.

Calculation of Appraisal Results

Planning purpose	R&D buildings		Plants	Dormitories	Canteen		Business district	Space for cultural activities and bus stations
	Gross floor area (m ²)	109,500		28,000	19,400	1,000		1,000
Applicable types of marked price	Office 50%	Industrial 50%	Industrial	Residential	Office 50%	Industrial 50%	Commercial	To be transferred to the government for free, and the property rights belong to the government, so the price of the land is not calculated separately.
Average marked price after corrections (floor area price (RMB/m ²))	3,828		1,816	8,540	3,828		27,705	
Appraised price of the land (RMB0'000)	41,916.60		5,084.80	16,567.60	382.80		2,770.50	
Total land price (RMB0'000)	66,722.30							

VIII. IMPLEMENTATION PROCESS AND STATUS OF VALUATION PROCEDURES

The preliminary work of this valuation began on 22 December 2022, and valuers entered the site on 23 December 2022, and the valuation was concluded on 27 March 2023. The entire valuation was carried out in five stages:

- (I) Preliminary work of valuation: Clarify basic business matters, accept project entrustment, determine the purpose, target and scope of valuation, valuation benchmark date, and draft the valuation plan;
- (II) Asset inspection phase: Prepare valuation materials, conduct on-site investigation, collect and sort out valuation materials, verify assets and materials;
- (III) Evaluation and estimation phase: selection of appropriate valuation approaches, collection of market information and calculation;
- (IV) Valuation summary and report submission phase: summarize and analyze valuation results, prepare the report and internal audit; form a final valuation conclusion and submit the formal asset valuation report to the principal;
- (V) Organize and compile valuation files.

IX. VALUATION ASSUMPTIONS

Due to the changes in the operating environment of the enterprise and the changing factors affecting the value of assets, it is necessary to establish assumptions in order to appraise the value of assets by professionals and fully support our conclusion of the appraisal. This appraisal is based on the following premises and assumptions:

(I) General assumptions**1. Transaction assumption**

The transaction assumption assumes that all assets to be appraised are already in the process of trading, and the valuers evaluate the assets according to the simulated market such as the trading conditions of the assets to be appraised. The assumptions regarding transaction is a basic premise for asset appraisal.

2. Open market assumption

Open market assumption assumes that for assets traded or to be traded in the market, the parties to an asset transaction shall have equal status with each other, and each has the opportunity and time to obtain sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets. The open market assumption is based on the fact that assets can be traded openly in the market.

(II) Special assumptions

1. The basic assumption and premise of this valuation is based on the specific valuation purpose(s) listed in the asset valuation report;
2. Assumption of no material change: It is assumed that there will be no major changes in the current laws and regulations of the country and the macro-economic situation of the country, and that the external economic environment such as interest rate, exchange rate, tax base and tax rate, and policy-based levies will not change unpredictably;
3. Assumption of no adverse impact: It is assumed that no other force majeure or unforeseeable factors will have a significant adverse impact on the assets and liabilities to be appraised of the appraised entity;
4. Assumption of consistent direction: It is assumed that the business scope and mode of the appraised entity are consistent with the current direction on the basis of the current management mode and management level, regardless of future changes in business capability that may result from management and business strategy adjustments;

5. Assumption of policy coherence: It is assumed that the accounting policies to be adopted by the appraised entity in the future are generally consistent in important respects with the accounting policies adopted in the preparation of this report;
6. Assumption of continuous use of assets: It is assumed that the appraised assets will continue to be used in accordance with the current purposes and the mode, scale, frequency and environment of use, without taking into account the respective optimal use of each asset;
7. Assumption of data authenticity: It is assumed that the financial reports and transaction data of the comparable companies relied on by the valuers are true and reliable. The relevant basic data and financial information provided by the appraised entity and the principal are true, accurate and complete;
8. The scope of valuation is only based on the valuation declaration form provided by the appraised entity, without considering the contingent assets and contingent liabilities that may exist outside the list provided by the appraised entity.
9. The valuers have paid attention to significant factors that affect the value or price of the valuation target, such as house security and environmental pollution, etc.. Under the circumstance that there was no reason to suspect any security risks of the valuation target and no professional institution had carried out corresponding identification or inspection, the valuers assumed that there are no significant unfavorable factors, such as: house security or environmental pollution, that impact the value or price of the valuation target.
10. The valuers inspected the ownership certificate of the valuation target and relevant materials provided by the property owner, and found no reason to doubt its legitimacy, authenticity, accuracy and completeness; limited by the qualification of archives inquiry by the housing and land management departments, the valuers did not verify the ownership certificate of the valuation target with the competent government department. In this case, we assume that the above ownership certificate and relevant materials provided by the property owner are legal, true, accurate and valid.

In the event of any inconsistency with the aforesaid assumptions, the valuation results will generally become invalid.

X. VALUATION CONCLUSION

Upon assessment, **the assessed value** of the construction in progress and land use rights belonging to Shenzhen Zhuoruixiang Information Advisory Co., Ltd. as at 31 January 2023, was **RMB seven hundred seventy-two million and four hundred eighty thousand and five hundred or RMB772,480,500 representing an appreciation of RMB471,038,000 or 156.26% as compared to the carrying amount of RMB301,442,500.**

Details are as follows:

Summary of Asset Valuation Results

Unit: RMB0'000

Item		Carrying amount	Appraised value	Appreciation/ depreciation amount	Appreciation rate (%)
		A	B	C = B-A	D = C/A × 100%
1	Construction in progress	10,525.75	10,525.75	—	—
2	Intangible assets	19,618.50	66,722.30	47,103.8	240.10
3	Total assets	30,144.25	77,248.05	47,103.8	156.26

XI. NOTES ON SPECIAL MATTERS

The user of the asset valuation report shall pay attention to the impact of special matters on the valuation conclusion, and attention of the user of the asset valuation report is specially drawn to these notes.

- (I) Circumstances where the ownership information and other valuation materials are incomplete or defective

The permitted construction period of construction work commencement permit for the construction in progress is from 10 September 2019 to 15 February 2020. As of the valuation benchmark date, the construction work commencement permit has expired. This valuation did not consider the impact of the aforesaid matters on the appraised value.

- (II) Circumstances where the principal does not provide other key information

Nil.

- (III) Uncertain factors such as unresolved matters and legal disputes

Nil.

- (IV) Important utilization of expert and relevant reports

Verification based on the Real Estate Certificate (Yue (2020) Shenzhen Real Estate Title No.0016945) (《不動產權證書》(粵(2020)深圳市不動產權第0016945號)) and the legal opinion issued by the principal's PRC legal adviser provided by the principal:

1. Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd. has acquired the land use right in a legal and effective manner;

2. Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd. has the right to transfer, mortgage, lease, grant or obtain income from the land use right of the state-owned construction land;
 3. No title defects such as guarantee, mortgage and seizure on the land use right of the state-owned construction land have been found;
 4. No competent authority has regarded such state-owned construction land as idle land and there is no risk of such land being recovered for the time being;
 5. Although the construction work commencement permit associated with such state-owned construction land has expired, considering the construction projects on such state-owned construction land are only required to be completed before 12 February 2025, and according to the past postponement, communication can be carried out with the relevant departments for further extension and re-apply for relevant permit. There is currently no significant impact on the construction of these matters.
- (V) The asset valuation report has been prepared based on the valuation-related information provided by the principal, the appraised entity and the relevant parties. It is the responsibility of the principal and the relevant parties to provide the necessary information and ensure the authenticity, legality and completeness of such information. The responsibility of the valuation professionals is to analyze and estimate the value of the valuation target for specific purposes as at the valuation benchmark date and express professional opinions in this regard. The valuation professionals have conducted necessary verification and disclosure of the information and its sources, but do not provide any guarantee for the authenticity, legality and completeness of the above information. It is beyond the scope of practice for the valuation professionals to confirm the information and its sources or express opinions in this regard.

The appraised entity was a general taxpayer on the valuation benchmark date and the tax-exclusive value of the respective assets was valued.

(VI) Major subsequent events

1. Matters that may have an impact on the valuation conclusion between the valuation benchmark date and the asset valuation report date

Nil.
2. During the validity period of the report after the valuation benchmark date, if the quantity of assets and the pricing standards change, the following principles shall be applied:
 - (1) When the quantity of assets changes, the amount of assets should be adjusted according to the original valuation method;

- (2) When the asset price standard changes and has a significant impact on the asset valuation conclusion, the principal shall promptly engage a qualified asset valuation agency to re-determine the appraised value;
- (3) For changes in the quantity of assets and price standards after the valuation benchmark date, the principal shall give full consideration to the actual price of assets and make corresponding adjustments.

(VII) Relevant circumstances where the valuation procedure is restricted, the remedial measures taken by the valuation agency and the impact on the valuation conclusion

Nil.

XII. STATEMENT OF LIMITATIONS ON THE USE OF THE ASSET VALUATION REPORT

(I) Scope of use of the asset valuation report

1. The asset valuation report can only be used by Wuhan Zhengtong United Industrial Investment Group Co., Ltd., Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd. and users of the asset valuation report stipulated by laws and administrative regulations. Save for this, no other institution or individual shall be the users of this report.
2. The principal and other users of the asset valuation report shall use the asset valuation report in accordance with laws, administrative regulations, and the intentions and purposes specified in the asset valuation report.
3. The asset valuation report is valid until 30 January 2024. Generally, the asset valuation report can only be used when the valuation benchmark date and the realization date of the economic activities are within one year. When the period is over one year, or even not more than one year, but the price standard of the appraised asset fluctuates greatly, the conclusion of the asset valuation report cannot be adopted.
4. For the excerpt, reference and disclosure of all or part of the contents of the valuation report, relevant contents shall be reviewed by the valuation agency with written approval obtained from the Company unless it is otherwise provided by laws and regulations and agreed by relevant parties;

(II) The asset valuation agency and the asset valuers shall not be liable if the principal 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 set out in this asset valuation report.

- (III) The users of the asset valuation report should establish a proper understanding of the valuation conclusion. The valuation conclusion is not equal to, and should not be regarded as a guarantee for the realizable value of the valuation target.
- (IV) This asset valuation report contains certain documents for inspection and appraisal breakdowns, all of which also constitute an important part of this report and shall be valid only when used in conjunction with the body of this report. The valuation agency and the asset valuers assume no obligation or responsibility for any use other than that for which it is used, such as being shown to the person who is not a user of the asset valuation report or the person who is not a user of the asset valuation report has otherwise access to this report, and do not provide further consultation in connection with this report, nor do they provide testimony, appear in court or otherwise hearings in legal proceedings, and reserve the right to pursue the losses incurred by the person who is not a user of the asset valuation report.
- (V) The copy of this report not stamped with the valuer's straddle chapter is invalid. The valuation agency has the final right to interpret this report.

XIII. DATE OF ASSET VALUATION REPORT

The date of the asset valuation report is 27 March 2023, which is the date on which the professional opinion is published.

XIV. SIGNATURE OF ASSET VALUERS AND SEAL OF ASSET VALUATION AGENCY

Xiamen Xinhui Assets Valuation Land Properties
Valuation Co., Ltd.

Asset Valuer: Zheng Linling

Asset Valuer: Wu Yanping

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 the Directors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors, the table below lists out the person (other than the Directors or chief executives of the Company), who had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

Name of Shareholder	Capacity	Number of Shares interested (long position)	Approximate percentage of shareholding (Note 1)
Xiamen ITG Holding Group Co., Ltd.*	Beneficial owner	820,618,184	29.90%
Cheung Mui	Beneficial owner	220,281,500	8.02%

Note:

- As at the Latest Practicable Date, the total number of Shares in issue was 2,744,542,420.

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

3. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or proposed directors had any interest, direct or indirect, in any assets which have been, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

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

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, all Directors have entered into letters of appointment or service contracts with the Group. None of the Directors had entered, or proposed to enter into a service contract with any member of the Group which does not expire within one year and is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualification of the expert who has provided opinion or advice, which is contained in this circular:

Name	Qualification
Xiamen Xinhui	Independent valuer

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

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to, or was proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

8. MATERIAL CONTRACTS

The Group did not enter into any material contract (not being a contract entered into in the ordinary course of business of the Group) within two years immediately preceding the Latest Practicable Date.

9. LITIGATION

Save as disclosed below, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance pending or threatened against the Company or any member of the Group.

In 2016 and 2020, Wuhan Zhengtong United Industrial Investment Group Co., Ltd.* 武漢正通聯合實業投資集團有限公司 (“**Wuhan Zhengtong**”), an indirect wholly owned subsidiary of the Company, undertook to pay for any shortfalls in the event of default by Beijing Guangze Real Estate Development Co., Ltd.* (北京廣澤房地產發展有限公司) (“**Beijing Guangze**”), in support of Beijing Guangze’s (i) redemption obligations under certain investment agreements relating to the investment made by Ningbo Yuchen Fengze Equity Investment Partnership (Limited Partnership)* 寧波禹宸豐澤股權投資合夥企業(有限合夥) (“**Yuchen Fengze**”) in Beijing Baoze Automobile Technology Development Co., Ltd.* 北京寶澤汽車科技發展有限公司 (“**Beijing Baoze**”) and Beijing Zunbaocheng Real Estate Co., Ltd.* 北京尊寶成置業有限公司 (“**Beijing Zunbaocheng**”) (the “**Redemption Obligations**”); and (ii) repayment obligations in respect of a loan provided under an entrusted loan agreement (the “**Repayment Obligations**”).

To the best knowledge and belief of the Directors, Beijing Guangze is held indirectly by family members of Mr. Wang Muqing, a former executive Director of the Company, who has resigned on 10 January 2022.

The Redemption Obligations and Repayment Obligations were secured by, among others, real estate owned by Beijing Zunbaocheng and Beijing Baoze.

The Company was notified on 17 December 2021 and 28 December 2021 that separate court judgements (the “**First Instance Judgement**”) had been granted by Ningbo Intermediate People’s Court and Yangzhou Intermediate People’s Court, respectively, in favour of Yuchen Fengze and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong. Pursuant to the First Instance Judgement, Beijing Guangze shall:

- pay to Yuchen Fengze a principal amount of RMB420 million together with interest, comprising, among others, the redemption price for the equity investment made by Yuchen Fengze in Beijing Baoze and Beijing Zunbaocheng. Wuhan Zhengtong was held jointly and severally liable for the same amount (the “**Equity Investment First Instance Judgement**”); and
- pay to Yuchen Fengze approximately RMB1.41 billion (comprising the loan principal of RMB1.35 billion, accrued interest, default interest and compound interest) and late payment interest, the actual amount of which will increase with time and relevant costs. Wuhan Zhengtong was held jointly and severally liable for the same amount (the “**Loan First Instance Judgement**”).

Wuhan Zhengtong has filed appeals against the Equity Investment First Instance Judgement and Loan First Instance Judgement through Zhejiang Higher People’s Court and Jiangsu Higher People’s Court, respectively.

The Company has, in respect of its appeal against the Equity Investment First Instance Judgement, received a second instance judgement (the “**Equity Investment Second Instance Judgement**”), pursuant to which the guarantee given by Wuhan Zhengtong in respect of the amounts owed by Beijing Guangze was held to be a general guarantee (i.e. Wuhan Zhengtong shall only be responsible for any shortfalls if Beijing Guangze fails to fulfill its repayment obligations), and after having assumed its general guarantee liability, Wuhan Zhengtong shall be entitled to claim repayment from Beijing Guangze to the extent of the guarantee obligation it has performed. The Equity Investment Second Instance Judgement is the final judgement. If Beijing Guangze fails to pay the amounts owed by it, Wuhan Zhengtong will proceed in accordance with the court’s instructions and reserves its right to claim repayment from Beijing Guangze.

In respect of the appeal against the Loan First Instance Judgement, Wuhan Zhengtong and Yuchen Fengze have entered into a settlement agreement and reached settlement in respect of the appeal and the appeal has been withdrawn.

For details, please refer to the announcements of the Company dated 22 December 2021, 31 December 2021, 30 March 2022, 24 June 2022, 20 July 2022 and 10 February 2023.

10. MISCELLANEOUS

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

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The headquarter of the Company is Baoze Plaza, No. 59 West Third-Ring South Road, Beijing, the PRC. The principal place of business in Hong Kong is Flat C, 32/F, Lippo Centre Tower 1, 89 Queensway, Hong Kong.

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

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) a form of the Equity Interests Transfer Agreement prepared by the Company;
- (b) the written consent given by Xiamen Xinhui as referred to in the paragraph headed "Expert" in this appendix;
- (c) the Valuation Report (Shenzhen Property) prepared by Xiamen Xinhui, the text of which is set out in Appendix II.

* *For identification purpose only*



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

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

(Stock Code: 1728)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China ZhengTong Auto Services Holdings Limited 中國正通汽車服務控股有限公司 (the “**Company**”) will be held at Large Conference Room, 2nd Floor, Wuhan Baoze, Te No. 6 Huangpu Science Park, Tazihu Street, Jiangnan District, Wuhan, Hubei Province, PRC on Thursday, 20 April 2023 at 2:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION

“THAT

- (a) the potential disposal of 100% equity interests in Shenzhenshi Huianqi Investment Advisory Co., Ltd.* (深圳市匯安啟投資諮詢有限公司) (“**Shenzhenshi Huianqi**”), the entire issued share capital of Shenzhenshi Huianqi, by Goldrich Holdings Limited, an indirectly wholly owned subsidiary of the Company, as vendor, where the successful bidder is required to accept and bear the relevant debts owed by Shenzhenshi Huianqi and its subsidiary (the “**Disposal Group**”) to the Company and its subsidiaries (the “**Potential Disposal**”), by way of public tender process (“**Public Tender**”) through the Shenzhen United Property and Equity Exchange* (深圳聯合產權交易所股份有限公司) (“**SUPX**”) at the reserve price, subject to sub-paragraph (b) of this resolution, of not less than RMB800 million (the “**First Public Tender Reserve Price**”) as more detailed in the announcement of the Company dated 28 February 2023 and the circular of the Company dated 27 March 2023 (the “**First Public Tender**”) be and is hereby approved;
- (b) in the event that no successful bidder is returned in the First Public Tender, Directors be and are authorized to undertake a subsequent Public Tender for the Potential Disposal at a price lower than the First Public Tender Reserve Price, provided that the reserve price for the subsequent Public Tender is not lower than RMB737,000,000 (the “**Lowered Reserve Price**”) (the “**Subsequent Public Tender**”); and

- (c) should there be a successful bidder in either the First Public Tender or the Subsequent Public Tender, the directors of the Company be and are hereby authorized to agree the final price for the Potential Disposal, provided it is not lower than the First Public Tender Reserve Price (for the First Public Tender) or the Lowered Reserve Price (for the Subsequent Public Tender), and such other terms as they may consider necessary and desirable for effecting the Potential Disposal, and to take such actions, do such things, and execute such documents or deeds, for the purpose of giving effect to the Potential Disposal and the transactions contemplated thereunder.”

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

27 March 2023

Registered office:

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

*Principal Place of business
in Hong Kong:*

Flat C, 32/F
Lippo Centre Tower 1
89 Queensway
Hong Kong

Notes:

1. English translations of company names in Chinese which are marked with “*” are for identification purposes only.
2. The resolution at the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
3. A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more (if he holds more than one shares) proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
4. In the case of joint holders of shares, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if it/he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such shares shall alone be entitled to vote in respect thereof.

5. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting (i.e. not later than before 2:00 p.m. on Tuesday, 18 April 2023) or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the Meeting and, in such event, the said form of proxy shall be deemed to be revoked.
6. The transfer books and register of shareholders of the Company will be closed from Monday, 17 April 2023 to Thursday, 20 April 2023, both days inclusive, to determine the entitlement of shareholders to attend and vote at the meeting, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 14 April 2023.
7. As at the date of this notice, the Board comprises Mr. WANG Mingcheng (Chairman), Mr. Li Zhihuang and Mr. ZENG Tingyi as executive directors, and Dr. WONG Tin Yau, Kelvin, Dr. CAO Tong and Ms. WONG Tan Tan as independent non-executive Directors.