

9 June 2025

To: The independent board committee of China Hengtong Auto Services Holdings Limited

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
CLSA LIMITED
FOR AND ON BEHALF OF XINDA MOTORS CO., LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
CHINA ZHENGTONG AUTO SERVICES HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED OR
AGREED TO BE ACQUIRED
BY XINDA MOTORS CO., LIMITED AND/OR PARTIES
ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 9 June 2025 jointly issued by the Company and the Offeror to the Independent Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

With reference to the letter from the Board (the “Board Letter”) contained in the Composite Document, the Company and the Offeror jointly announced in the Joint Announcement dated 28 May 2025 and the Joint Announcement dated 2 June 2025 (i) the waiver of the condition precedent relating to the Whitewash Waiver under the Subscription Agreement; and (ii) that the Connected Subscription Completion took place on 2 June 2025. The Company allotted and issued, and the Offeror subscribed for, 6,669,060,524 Subscription Shares at the Subscription Price of HK\$0.15 per Subscription Share for a total consideration of HK\$1,000,359,078.60 in cash. The Subscription Shares represent approximately 66.58% of the Shares in issue as at the Latest Practicable Date.

The Offeror has confirmed that immediately prior to the Connected Subscription Completion, the Offeror and parties acting in concert with it hold 842,977,684 Shares, representing approximately 25.19% of the Shares in issue of the Company. The Offeror has further confirmed that upon the Connected Subscription Completion, the shareholding of the Offeror and the parties acting in concert with it increased to approximately, and not more than, 75.00% of the Shares in issue of the Company (as enlarged by the allotment and issue of the Subscription Shares).

Given that the Whitewash Waiver was not approved at the EGM, upon the Connected Subscription Completion, the Offeror is required to make a mandatory general offer for all the Offer Shares. CLSA Limited, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer.

The Independent Board Committee comprising Dr. TSUI Wai Ling Carlye, Mr. SHEN Jinjun and Ms. YU Jianrong (being all the independent non-executive Directors) has been established to make a recommendation to the Independent Shareholders in respect of the Offer as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser with the Independent Board Committee's approval to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code.

INDEPENDENCE

Gram Capital was engaged as independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) major and connected transaction of the Company, details of which are set out in the Company's circular dated 22 January 2024; and (ii) the Connected Subscription and the Whitewash Waiver, details of which are set out in the Circular. Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, there are no relationships or interests between (i) Gram Capital; and (ii) the Company and its controlling shareholder, the Offeror and its controlling shareholder, during the past two years immediately preceding the commencement of the Offer Period up to and including the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the

time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix III to the Composite Document and the section headed "1. RESPONSIBILITY STATEMENT" of Appendix IV to the Composite Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(1) Background and terms of the Offer

With reference to the “Letter from CLSA Limited” contained in the Composite Document (the “Letter from CLSA”), CLSA Limited, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer on the following basis:

For each Offer Share. HK\$0.15 in cash

The Offer Price of HK\$0.15 per Offer Share equals to the Subscription Price per Subscription Share paid by the Offeror to the Company under the Connected Subscription.

As at the Latest Practicable Date, the Company had 10,016,050,944 Shares in issue. The Company did not have in issue any other outstanding options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

For further details of the Offer, please refer to Appendix I to the Composite Document.

(2) Information on the Group

With reference to the Board Letter, the Group is principally engaged in 4S (sales, spare parts, service and survey) dealership business, automotive supply chain business and comprehensive properties business in the PRC.

Set out below are the consolidated financial information of the Group for the three years ended 31 December 2024 as extracted from the Company's annual report for the year ended 31 December 2024 (the "2024 Annual Report") and the Company's annual report for the year ended 31 December 2023 (the "2023 Annual Report"):

	For the year ended 31 December 2024 ("FY2024") (audited) RMB'000	For the year ended 31 December 2023 ("FY2023") (audited) RMB'000	For the year ended 31 December 2022 ("FY2022") (audited) RMB'000	Change from FY2023 to FY2024 %	Change from FY2022 to FY2023 %
Revenue	20,746,774	24,131,975	22,606,790	(14.03)	6.75
— 4S dealership business	20,342,814	23,464,573	21,927,113	(13.30)	7.01
— Supply chain business	378,393	667,402	679,677	(43.30)	(1.81)
— Comprehensive properties business (Note)	25,567	—	—	N/A	N/A
Gross profit	779,069	1,008,593	1,586,878	(22.76)	(36.44)
Other income	737,723	1,327,026	1,506,316	(44.41)	(11.90)
Selling and distribution expenses	(967,410)	(1,082,892)	(1,211,482)	(10.66)	(10.61)
Administrative expenses	(981,633)	(1,084,526)	(1,280,537)	(9.49)	(15.31)
(Impairment losses)/Reversal of impairment losses on goodwill and/or intangible assets	(116,702)	—	232,426	N/A	(100.00)
(Loss)/Profit from operations	(548,953)	168,201	833,601	N/A	(79.82)
Finance costs	(936,721)	(1,054,301)	(1,006,998)	(11.15)	4.70
Share of (loss)/profit of associates and a joint venture	3,666	(500)	43,055	N/A	N/A
Loss before taxation	(1,482,008)	(886,600)	(130,342)	67.16	580.21
Income tax	(47,078)	66,120	(167,079)	N/A	N/A
Loss for the year	(1,529,086)	(820,480)	(297,421)	86.36	175.86
Loss for the year attributable to ordinary shareholders of the Company	(1,708,506)	(890,990)	(296,285)	91.75	200.72

Note: Mainly includes development and sales of properties in the PRC.

	As at 31 December 2024 (audited) RMB'000	As at 31 December 2023 (audited) RMB'000	As at 31 December 2022 (audited) RMB'000	Change from 31 December 2023 to 2024 %	Change from 31 December 2022 to 2023 %
Non-current assets	13,896,931	15,088,521	13,902,668	(7.90)	8.53
Current assets	15,321,305	14,426,280	13,830,091	6.20	4.31
— Cash and cash equivalents	573,088	744,855	734,086	(23.06)	1.47
Non-current liabilities	4,494,295	5,583,349	8,596,839	(19.51)	(35.05)
— Loans and borrowings	2,419,911	3,488,141	6,439,857	(30.62)	(45.84)
Current liabilities	23,654,203	22,644,392	18,911,476	4.46	19.74
— Loans and borrowings	17,550,020	16,272,920	12,234,030	7.85	33.01
Net-current liabilities	(8,332,898)	(8,218,112)	(5,081,385)	1.40	61.73
Total (deficit)/equity attributable to equity shareholders of the Company	(356,683)	361,830	193,389	N/A	87.10

FY2023

According to the table above, the Group recorded revenue of approximately RMB24.13 billion for FY2023, representing an increase of approximately 6.75% as compared to that for FY2022. With reference to the 2023 Annual Report, such increase was mainly due to the increase in the sales of new automobiles for FY2023. Nevertheless, according to the table above, (i) the Group's gross profit for FY2023 decreased by approximately 36.44% as compared to that for FY2022; and (ii) the loss attributable to ordinary shareholders of the Company for FY2023 increased by approximately 200.72% as compared to that for FY2022. With reference to the 2023 Annual Report, (i) the aforesaid decrease in the Group's gross profit was caused by decrease in the Group's gross profit margin from approximately 7.0% for FY2022 to approximately 4.2% for FY2023, mainly attributable to decrease in the average unit sales price of new automobiles; and (ii) the aforesaid increase in the Group's loss for the year attributable to ordinary shareholders of the Company was mainly due to decrease in the Group's gross profit.

According to the table above, (i) the total equity attributable to equity shareholders of the Company increased by approximately 87.10% from approximately RMB193 million as at 31 December 2022 to approximately RMB362 million as at 31 December 2023; (ii) the Group's net current liabilities increased by approximately 61.73% from approximately RMB5,081 million as at 31 December 2022 to approximately RMB8,218 million as at 31 December 2023; (iii) the Group's cash and cash equivalents increased by approximately 1.47% from approximately RMB734 million as at 31 December 2022 to approximately RMB745 million as at 31 December 2023; and (iv) the Group's total loans and

borrowings increased by approximately 5.82% from approximately RMB18.67 billion as at 31 December 2022 to approximately RMB19.76 billion as at 31 December 2023.

FY2024

According to the table above, the Group recorded revenue of approximately RMB20.75 billion for FY2024, representing a decrease of approximately 14.03% as compared to that for FY2023. With reference to the 2024 Annual Report, such decrease was mainly due to the decrease in sales volume and the selling price of new automobiles for FY2024. In addition, according to the table above, (i) the Group's gross profit for FY2024 decreased by approximately 22.76% as compared to that for FY2023; and (ii) the loss attributable to ordinary shareholders of the Company for FY2024 increased by approximately 91.75% as compared to that for FY2023. With reference to the 2024 Annual Report, (i) the aforesaid decrease in the Group's gross profit was caused by decrease in the Group's revenue and gross profit margin (from approximately 4.2% for FY2023 to approximately 3.8% for FY2024, mainly attributable to decrease in the average selling price of new automobiles); and (ii) the aforesaid increase in the Group's loss for the year attributable to ordinary shareholders of the Company was mainly due to (a) the decrease in the Group's gross profit and other income; and (b) the impairment losses on goodwill and intangible assets recognised for the Group's 4S dealership business for FY2024 (FY2023: nil).

According to the table above, (i) the total deficit attributable to equity shareholders of the Company was approximately RMB357 million as at 31 December 2024 (in contrast to total equity attributable to equity shareholders of the Company of approximately RMB362 million as at 31 December 2023); (ii) the Group's net current liabilities increased by approximately 1.40% from approximately RMB8,218 million as at 31 December 2023 to approximately RMB8,333 million as at 31 December 2024; (iii) the Group's cash and cash equivalents decreased by approximately 23.06% from approximately RMB745 million as at 31 December 2023 to approximately RMB573 million as at 31 December 2024; and (iv) the Group's total loans and borrowings increased by approximately 1.06% from approximately RMB19.76 billion as at 31 December 2023 to approximately RMB19.97 billion as at 31 December 2024.

Outlook and industry overview

To further understand the market conditions of the automobile industry in the PRC, we searched for relevant market statistics as follows:

Set out below are the statistics of domestic retail sales of automobiles in the PRC during the five years ended 31 December 2024 and the four months ended 30 April 2025, being the latest five full-year statistics together with the latest available statistics as published by the National Bureau of Statistics of the PRC:

	2020	2021	2022	2023	2024	January to April 2025
Domestic retail sales of automobiles in the PRC (RMB' billion)	3,941.4	4,378.7	4,577.2	4,861.4	5,031.4	1,484.0
Year-on-year change (%)	0.1	11.1	4.5	6.2	3.5	(0.5)

As shown in the above table, the domestic retail sales of automobiles in the PRC increased continuously from approximately RMB3,941.4 billion in 2020 to approximately RMB5,031.4 billion in 2024, representing a compound annual growth rate of approximately 6.3%. In addition, the domestic retail sales of automobiles in the PRC was approximately RMB1,484.0 billion for the four months ended 30 April 2025, representing a slight year-on-year decrease of approximately 0.5% as compared to that for the same period in 2024 (i.e. the four months ended 30 April 2024).

Despite the above positive market statistics from 2020 to 2024, the Group's gross profit decreased and loss increased from FY2022 to FY2024. As discussed under the section headed "1. Information on the Group" above, such financial deterioration was mainly caused by decrease in the Group's gross profit margin (which was mainly attributable to decrease in the average unit sales price of new automobiles). As aforementioned, the 4S dealership businesses in the PRC are at a crossroads in market development and subject to intense market competition.

As advised by the Company, in view of such intense market competition and the decrease in the Group's gross profit margin, the Group needs to seek for strategic investments or mergers and acquisitions (M&A) opportunities that may arise in the future to improve economies of scale. Connected Subscription Completion took place on 2 June 2025 and the gross proceeds from the Connected Subscription was HK\$1,000,359,078.60. As disclosed in the Circular, approximately 20% of the net proceeds (after deducting relevant costs and expenses) from the Connected Subscription (the "Net Proceeds") are intended to be applied towards capitalising on market opportunities for strategic investments or M&A as and when they arise. Such application of part of the Net Proceeds is in the interest of the Company as it can support the Group's business development

and expansion which may improve economies of scale of the Group and allow the Group to respond to the market trend and development (in particular, the advent of electric vehicles, which has heralded a paradigm shift towards sustainability and environmental consciousness, away from traditional internal combustion engine vehicles).

As advised by the Company, the Company has not identified any M&A opportunity as at the Latest Practicable Date.

(3) Information on the Offeror

With reference to the Letter from CLSA, the Offeror is a company incorporated in Hong Kong with limited liability, and is principally engaged in investment holding. As at the Latest Practicable Date, the Offeror was indirectly wholly owned by ITG Holding, a controlling shareholder of the Company.

ITG Holding is a Fortune Global 500 Company with operations in commodity trading, circulation automobile trading, logistics business, commodity retail business and other businesses. ITG Holding is a state-owned enterprise directly controlled by Xiamen State-owned Assets Supervision and Administration Commission.

(4) Intentions of the Offeror regarding the Group

With reference to the Letter from CLSA, the Offeror confirms that:

- (a) it is intended that the Group will continue its existing business following the Connected Subscription Completion and the close of the Offer; and
- (b) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group's employees, and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

(5) Offer Price

Offer Price comparison

The Offer Price of HK\$0.15 per Offer Share represents:

- (i) a premium of approximately 1.35% over the closing price of HK\$0.1480 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a premium of 25.00% over the closing price of HK\$0.1200 per Share as quoted on the Stock Exchange as at the date of the Joint Announcement dated 28 May 2025 (the "Joint Announcement Date Premium");

- (iii) a premium of approximately 36.36% over the closing price of HK\$0.1100 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**LTD Premium**”);
- (iv) a premium of approximately 42.59% over the average closing price of HK\$0.1052 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement (the “**5 Days Premium**”);
- (v) a premium of approximately 83.60% over the average closing price of HK\$0.0817 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the date of the Subscription Agreement (the “**30 Days Premium**”);
- (vi) a premium of approximately 44.65% over the average closing price of HK\$0.1037 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to the date of the Subscription Agreement (the “**60 Days Premium**”); and
- (vii) a premium of approximately HK\$0.1883 over the audited net liabilities per Share as at 31 December 2024 of approximately RMB0.0356 (equivalent to approximately HK\$0.0383(*Note*)) (“**Premium Over Net Liabilities**”) calculated based on the audited total deficit attributable to the equity Shareholders as at 31 December 2024 of approximately RMB356,683,000 and 10,016,050,944 Shares in issue as at the Latest Practicable Date.

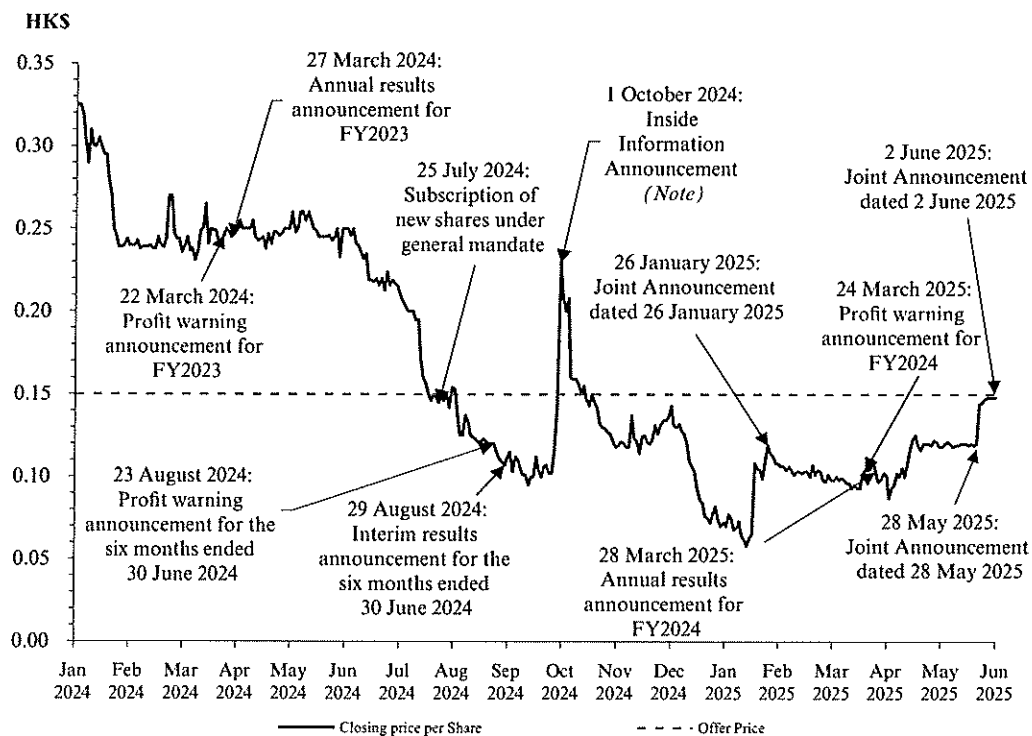
Note: based on an exchange rate of RMB1 = HK\$1.0756 as at 24 January 2025 (being the Last Trading Day) extracted from Bloomberg.

Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 2 January 2024 to the Latest Practicable Date, being approximate one year prior to the Last Trading Day, and up to and including the Latest Practicable Date (the “**Share Review Period**”), which is commonly adopted for analysis, and the number of trading days during the Share Review Period is sufficient for us to perform a thorough analysis on the historical

closing prices of Shares with the Subscription Price. Hence, we consider the duration of the Share Review Period is adequate and appropriate. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:

Historical daily closing price per Share



Source: the Stock Exchange's website

Note: According to the Company's announcement dated 1 October 2024 (the "Inside Information Announcement"), the Company noted the increases in the price and trading volume of the shares of the Company. Having made such enquiry with respect to the Company as is reasonable in the circumstances, the Company confirms that, save as the matters mentioned in the Inside Information Announcement regarding a potential disposal that did not proceed, it was not aware of any reasons for those price or volume movements or of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the SFO.

During the Share Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.325 per Share recorded on 2 January 2024 and 3 January 2024 and HK\$0.058 per Share recorded on 15 January 2025 respectively. The Offer Price of HK\$0.15 per Offer Share falls within the closing price range of the Shares during the Share Review Period. In addition, the Offer Price of HK\$0.15 per Offer Share is above the daily closing prices of the Shares (i) for 200 trading days out of total 350 trading days during the Share Review Period; and (ii) for 153 consecutive trading days prior to and including the Latest Practicable Date.

As depicted from the above chart, at the beginning of the Share Review Period, the closing price of the Shares decreased sharply from HK\$0.325 per Share on 2 January 2024 to HK\$0.239 per Share on 25 January 2024. As confirmed by the Directors, the Company did not identify any specific reason which caused the aforesaid decrease in the closing price of the Shares. Subsequently, the closing price of the Shares fluctuated up to 6 June 2024 and formed a general downward trend thereafter, decreasing from HK\$0.250 per Share on 6 June 2024 to HK\$0.095 per Share on 12 September 2024. Since then, the closing price of the Shares rebounded and reached HK\$0.230 per Share on 2 October 2024. Thereafter, the closing price of the Shares followed a downward trend and hit the lowest of HK\$0.058 per Share on 15 January 2025. Subsequently, the closing price of the Shares recovered and reached HK\$0.110 on the Last Trading Day. From the date of Joint Announcement dated 26 January 2025 and up to the Latest Practicable Date, the closing price of the Shares fluctuated between HK\$0.087 per Share and HK\$0.148 per Share.

Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume during the Share Review Period as compared to (i) the total number of issued Shares held by the Independent Shareholders as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date, are tabulated as below:

Month	No. of trading days	Average daily trading volume (the "Average Volume") (Note 1)	% of the Average Volume to total number of issued Shares held by Independent Shareholders as at Latest Practicable Date	% of the Average Volume to total number of issued Shares as at Latest Practicable Date
2024				
January	22	539,464	0.02	0.01
February	19	214,895	0.01	0.00
March	20	813,250	0.03	0.01
April	20	614,650	0.02	0.01
May	21	681,130	0.03	0.01
June	19	695,950	0.03	0.01
July	22	900,182	0.04	0.01
August	22	618,114	0.02	0.01
September	19	1,276,447	0.05	0.01
October	21	2,793,524	0.11	0.03
November	21	9,418,922	0.38	0.09
December	20	18,501,848	0.74	0.18

Month	No. of trading days	Average daily trading volume (the "Average Volume") (Note 1)	% of the Average Volume to total number of issued Shares held by Independent Shareholders as at Latest Practicable Date	% of the Average Volume to total number of issued Shares as at Latest Practicable Date
2025				
January	19	29,454,723	1.18	0.29
February	20	3,636,625	0.15	0.04
March	21	2,637,595	0.11	0.03
April	19	4,016,237	0.16	0.04
May	20	9,812,800	0.39	0.10
June (up to and including the Latest Practicable Date)	5	24,442,100	0.98	0.24

Source: the Stock Exchange website

Notes:

1. Based on 2,504,012,736 Shares held by the Independent Shareholders as at the Latest Practicable Date.
2. Based on 10,016,050,944 Shares in issue as at the Latest Practicable Date.

We noted from the above table that the Average Volume was exceptionally thin during the Share Review Period. During the Share Review Period, save for December 2024, January 2025 and June 2025, the Average Volume was (i) below 0.5% of the total number of issued Shares held by the Independent Shareholders as at the Latest Practicable Date; and (ii) below 0.1% of the total number of issued Shares as at the Latest Practicable Date.

Trading multiples analysis

To further assess the fairness and reasonableness of the Offer Price, we performed trading multiple analysis. Given (i) the Group's loss-making position for FY2024; and (ii) the Group recorded total deficit attributable to the equity Shareholders as at 31 December 2024, we did not adopt price-to-earnings ratio and price-to-book ratio for our analysis and we adopted price-to-sales ratio ("PSR") as below.

As the Group generated more than 95% of its revenue for FY2024 from the 4S dealership business (with reference to the 2024 Annual Report, such business mainly includes sales of motor vehicles and after-sales services in the PRC), we

searched for Hong Kong listed companies (i) which are principally engaged in similar business (i.e. sales of motor vehicles and after-sales services in the PRC); and (ii) which derived more than 50% of their revenue from such business in aggregate for their latest financial year. We found 8 companies (the “Comparable Companies”) listed below which met the aforesaid criteria and they are exhaustive.

Set out below are the PSR and market capitalisation of the Comparable Companies based on their respective closing prices and their latest published financial information as at the Latest Practicable Date:

Company name (Stock code)	Principal business	Market capitalisation as at the Latest Practicable Date <i>Approximate HK\$ million</i>	PSR (Note 1)
Zhongsheng Group Holdings Ltd (881)	Providing one-stop services including sales of new and second-hand automobiles, after-sales, refitting, parts and accessories, financial, insurance and leasing services	29,161	0.16
New Sparkle Roll International Group Limited (970)	Dealerships of luxury goods and automobiles, provision of after-sales services, property management services, property rental services, film related business including development and investment in films and television program and money lending business	276	0.08
China Meidong Auto Holdings Limited (1268)	Automobile dealership business authorised by the respective automobile manufacturers of a particular brand in the PRC including the sale of new passenger cars and spare parts, provision of after-sales service and survey services	2,935	0.12

Company name (Stock code)	Principal business	Market capitalisation as at the Latest Practicable Date <i>Approximate HK\$ million</i>	PSR <i>(Note 1)</i>
Sunfonda Group Holdings Limited (1771)	Sale of luxury and ultra-luxury brands and mid-end market brands and provision of after-sales service of motor vehicles	186	0.02
Centenary United Holdings Limited (1959)	Sale and service of motor vehicles and provision of integrated auto services	175	0.13
China Yongda Automobiles Services Holdings Limited (3669)	Provision of passenger vehicle retailing and comprehensive service focused on luxury and ultra-luxury automobile brands, and owns strong luxury and ultra-luxury products portfolio	4,128	0.06
China Harmony Auto Holding Limited (3836)	Sales of luxury and ultra-luxury cars, owning advantageous brands and provision of after-sales services	914	0.05
Betterlife Holding Limited (6909)	Provision of automobile dealership service focusing on luxury and ultra-luxury brands	286	0.03
Maximum:			0.16
Minimum:			0.02
Average:			0.08
Median:			0.07
The Company		1,502	0.07

Source: the Stock Exchange's website

Notes:

1. The PSRs of the Comparable Companies were calculated based on their respective then latest published total revenue for the latest full financial year, their respective closing prices as quoted on the Stock Exchange and the total issued shares as at the Latest Practicable Date.
2. The implied PSR of the Company was calculated based on the Offer Price, the number of Shares in issue as at the Latest Practicable Date and the Group's revenue for FY2024.
3. We noted that G.A. Holdings Limited (stock code: 8126) ("**G.A. Holdings**") met one of our selection criteria, namely, "principally engaged in similar business of the Group (i.e. sales of motor vehicles and after-sales services in the PRC)". Nevertheless, trading of G.A. Holdings Limited's shares was suspended since 1 April 2025 due to its inability to publish annual results announcement for FY2024 in compliance with the Listing Rules. Accordingly, we could not determine (a) whether G.A. Holdings derived more than 50% of its revenue from comparable business in aggregate for its latest financial year; and (b) its PSR as at the Latest Practicable Date. Accordingly, we did not include G.A. Holdings as one of the Comparable Companies.

As depicted in the above table, the PSRs of the Comparable Companies ranged from approximately 0.02 times to approximately 0.16 times, with an average of approximately 0.08 times and a median of approximately 0.07 times.

The implied PSR of the Company (i) is within the PSR range of the Comparable Companies; and (ii) close to the average and equals to the median PSRs of the Comparable Companies.

Having considered the above and:

- (A) that the Offer Price of HK\$0.15 per Offer Share (i) falls within the closing price range of the Shares as quoted on the Stock Exchange during the Share Review Period; (ii) is above the daily closing prices of the Shares (a) for 200 trading days out of total 350 trading days during the Share Review Period; and (b) for 153 consecutive trading days prior to and including the Latest Practicable Date; and
- (B) the Offer Price equals to the Subscription Price and the shareholding interest of the Independent Shareholders was diluted by the Connected Subscription Completion,

we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the factors and reasons set out above, in particular:

- (i) the trading volume of the Shares was thin during the Share Review Period. Independent Shareholders (especially those with relatively sizeable shareholdings) may not be able to realise their investments in the Shares at a price close to the Offer Price, particularly those who are going to dispose of their entire holdings;
- (ii) the Offer Price falls within the closing price range of the Shares as quoted on the Stock Exchange during the Share Review Period;
- (iii) the Offer Price is above the daily closing prices of the Shares (a) for 200 trading days out of total 350 trading days during the Share Review Period; and (b) for 153 consecutive trading days prior to and including the Latest Practicable Date;
- (iv) the implied PSR of the Company (a) is within the PSR range of the Comparable Companies; and (b) is close to the average and equals to the median PSRs of the Comparable Companies; and
- (v) the Offer Price represents the LTD Premium, the 5 Days Premium, the 30 Days Premium, the 60 Days Premium, the Joint Announcement Date Premium and the Premium Over Net Liabilities; and
- (vi) the Offer Price equals to the Subscription Price and the shareholding interest of the Independent Shareholders was diluted by the Connected Subscription Completion,

we are of the view that the Offer (including the Offer Price) is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

Those Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Offer.

Those Independent Shareholders who, after considering the information on the Offeror and their intentions regarding the Group, are confident in the future prospects of the Group following the Connected Subscription Completion and the Offer, may consider retaining their Shares or tendering less than all their Shares under the Offer.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Gram Capital Limited



Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 30 years of experience in investment banking industry.