

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## 廣東粵運交通股份有限公司

**Guangdong Yueyun Transportation Company Limited\***

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

**(Stock Code: 03399)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY**

#### **DISPOSAL TRANSACTION**

The Board hereby announces that on 20 October 2023, the Company and Jiaotou Mining entered into the Equity Transaction Agreement, pursuant to which Jiaotou Mining conditionally agreed to purchase and the Company conditionally agreed to sell 59.6206% equity interest in Zhaoqing Yueyun held by it (corresponding capital contribution was RMB59,620,604) at a consideration of RMB69,719,500. Upon the completion of the Disposal Transaction, the Company will no longer hold equity interests in Zhaoqing Yueyun, and the financial results of Zhaoqing Yueyun will no longer be consolidated into the Company's financial statements.

#### **LISTING RULES IMPLICATIONS**

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in respect of the Disposal Transaction contemplated under the Equity Transaction Agreement is more than 5% but less than 25%, the Disposal Transaction constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements but exempt from the shareholders' approval under Chapter 14 of the Listing Rules.

#### **DISPOSAL TRANSACTION**

The Board hereby announces that on 20 October 2023, the Company and Jiaotou Mining entered into the Equity Transaction Agreement, pursuant to which Jiaotou Mining conditionally agreed to purchase and the Company conditionally agreed to sell 59.6206% of equity interests in Zhaoqing Yueyun held by it (corresponding capital contribution was RMB59,620,604) at a consideration of RMB69,719,500.

# **EQUITY TRANSACTION AGREEMENT**

## **Date**

20 October 2023

## **Parties**

- (1) Jiaotou Mining (as the purchaser)
- (2) The Company (as the vendor)

## **Disposed Asset**

59.6206% equity interest in Zhaoqing Yueyun held the Company (corresponding capital contribution was RMB59,620,604).

## **Consideration and its Basis**

The consideration was RMB69,719,500 which was determined after arm's length negotiations between the parties with reference to the appraised value of the total shareholders' equity of Zhaoqing Yueyun as at 31 December 2022 as appraised by an independent valuer engaged by the Company. According to the appraisal report (Qin Xin Guo Rong Ping Bao Zi [2023] No. 330006) issued by Guangdong Qin Xin Guo Rong Asset Appraisal and Real Estate Appraisal Co., Ltd.\* (廣東勤信國融資產評估與房地產估價有限公司), which is qualified to practise securities and futures related business, the valuer conducted an overall appraisal on Zhaoqing Yueyun using the asset-based approach and the income approach, respectively, and eventually adopted the appraisal results under the asset-based approach as the appraisal conclusion. The appraisal results are as follows:

As at 31 December 2022, the book value of the total assets of Zhaoqing Yueyun was RMB325,281,000 and the appraised value was RMB317,754,200, representing a depreciation of RMB7,526,800, or a depreciation rate of 2.31%. The book value of the total liabilities was RMB196,302,600 and the appraised value was RMB187,822,500, representing a depreciation of RMB8,480,100, or a depreciation rate of 4.32%. The book value of the net assets was RMB128,978,400 and the appraised value was RMB129,931,700, representing an appreciation of RMB953,300, or an appreciation rate of 0.74%.

Please refer to the appendix to this announcement for the appraisal assumptions for the appraisal of the total shareholders' equity value of Zhaoqing Yueyun, the main appraisal parameters involved in each of the asset-based approach and the income approach, the corresponding appraisal results, and the reasons for selecting the appraisal results of the asset-based approach as the appraisal conclusion.

## **Payment of Consideration**

The consideration shall be paid by instalments in the following manner:

- (1) Guangdong United Assets and Equity Exchange shall transfer the security deposit of RMB7,800,000 paid by Jiaotou Mining to the Company without interest, which shall be automatically applied to the outstanding balance of the total consideration from the date of receipt by the Company;

- (2) The first instalment shall be 30% of the consideration (i.e. RMB20,915,850, including the security deposit of RMB7,800,000). Within five working days from the effective date of the Equity Transaction Agreement (i.e. 20 October 2023), Jiaotou Mining shall pay the remaining amount of the first instalment (i.e. the balance of the first instalment after deducting the amount of the security deposit), being RMB13,115,850. Guangdong United Assets and Equity Exchange shall, within three working days from the day following receipt of the first instalment and the handling fee payable by Jiaotou Mining, directly transfer the amount to the designated account of the Company without interest after deducting the handling fee of RMB139,079.25 payable by the Company; and
- (3) The second and last instalment shall be 70% of the consideration (i.e. RMB48,803,650), which shall be paid by Jiaotou Mining within one year from the effective date of the Equity Transaction Agreement. Within three working days from the effective date of the Equity Transaction Agreement, Jiaotou Mining shall provide the Company with a guarantee recognised by the Company, and shall pay the Company the interest for the extended payment period at the one-year loan prime rate published by the People's Bank of China. The second and last instalment shall be directly transferred to the account of the Company without interest by Guangdong United Assets and Equity Exchange within three working days from the day following the receipt of each payment made by Jiaotou Mining;

### **Profit and Loss Distribution**

The Company and Jiaotou Mining agreed that the profits and losses of Zhaoqing Yueyun incurred during the period from the asset valuation benchmark date (i.e. 31 December 2022) to the completion date of the change of industrial and commercial registration (inclusive) shall be borne and enjoyed by Jiaotou Mining.

### **Completion**

Completion of the Disposal Transaction shall take place and change of industrial and commercial registration shall be completed within 30 calendar days from the date of signing of the Equity Transaction Agreement.

### **FINANCIAL IMPACT OF THE DISPOSAL TRANSACTION AND USE OF PROCEEDS FROM THE DISPOSAL TRANSACTION**

Upon the completion of the Disposal Transaction, the Company will no longer hold equity interests in Zhaoqing Yueyun, and the financial results of Zhaoqing Yueyun will no longer be consolidated into the Company's financial statements.

It is estimated that the Company will record a gain of approximately RMB7,757,481.98 from the Disposal Transaction, subject to audit by the auditors of the Company. The relevant gain is based on the transaction consideration minus the Company's share of Zhaoqing Yueyun's consolidated net assets based on its shareholding ratio and minus the book value of goodwill.

The net proceeds from the Disposal Transaction are expected to be used for other future investments of the Group and as general working capital of the Group.

## REASONS FOR AND BENEFITS OF THE DISPOSAL TRANSACTION

Zhaoqing Yueyun is principally engaged in road passenger transport business. In recent years, affected by factors such as the continuous increase in the mileage of high-speed rail and light rail, the growing number of private cars, changes in people's travel habits and the COVID-19 epidemic, Zhaoqing Yueyun's business volume continued to decline and has suffered continuous losses in 2020 to 2022. The completion of the transaction will be conducive to optimising the Company's asset structure and improving overall profitability. The proceeds from the equity disposal will be used to replenish the Company's working capital and future investment expenditures, which is beneficial to the overall development of the Company. The Directors are of the view that the Equity Transaction Agreement was negotiated on an arm's length basis, and is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## INFORMATION ON THE PARTIES

### Zhaoqing Yueyun

Zhaoqing Yueyun is a limited company established in the PRC with a registered capital of RMB100,000,000. It is principally engaged in passenger transportation and investment in the transportation industry. As at the date of this announcement, the Company, Zhaoqing Transportation Group Co., Ltd., Zhaoqing Xinyun Investment Co., Ltd.\* (肇慶市新運投資有限公司) and Zhaoqing Zhaoyun Investment Co., Ltd.\* (肇慶市肇運投資有限公司) hold 59.6206%, 37.3794%, 1.7215% and 1.2785% equity interests in Zhaoqing Yueyun, respectively.

Zhaoqing Yueyun's main financial data for the years ended 31 December 2021 and 2022, and the six months ended 30 June 2023, prepared in accordance with the Chinese Accounting Standard for Business Enterprises, are set out below:

	<b>For the year ended 31 December 2021 RMB (Audited)</b>	<b>For the year ended 31 December 2022 RMB (Audited)</b>	<b>For the six months ended 30 June 2023 RMB (Unaudited)</b>
Total assets	397,910,175.53	322,816,020.77	330,757,232.17
Total liabilities	165,408,632.14	126,454,999.87	132,617,027.80
Revenue	166,086,753.03	116,842,959.76	55,594,171.05
Profit/(loss) before taxation	(51,618,762.90)	(38,953,632.27)	6,162,027.93
Profit/(loss) after taxation	(52,522,249.97)	(38,953,632.27)	6,162,027.93

### The Company

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

## **Jiaotou Mining**

According to publicly available information, Jiaotou Mining is an enterprise principally engaged in non-metallic mineral mining and dressing industry and its shareholder and the ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Zhaoqing Municipal People's Government (肇慶市人民政府國有資產監督管理委員會). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jiaotou Mining and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

## **LISTING RULES IMPLICATIONS**

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in respect of the Disposal Transaction contemplated under the Equity Transaction Agreement is more than 5% but less than 25%, the Disposal Transaction constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements but exempt from the shareholders' approval under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of directors of the Company
“Company”	Guangdong Yueyun Transportation Company Limited (Stock Code: 03399), a joint stock limited company incorporated under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal Transaction”	the disposal of all equity interests in Zhaoqing Yueyun held by the Company to Jiaotou Mining in accordance with the terms and conditions of the Equity Transaction Agreement
“Equity Transaction Agreement”	the equity transfer agreement dated 20 October 2023 entered into between the Company and Jiaotou Mining
“Group”	the Company and its subsidiaries from time to time
“Jiaotou Mining”	Zhaoqing Jiaotou Mining Co., Ltd.* (肇慶交投礦業有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Zhaoqing Yueyun” Zhaoqing City Yueyun Motor Transportation Co., Ltd.

“%” per cent

By order of the Board  
**Guangdong Yueyun Transportation Company Limited**  
**Guo Junfa**  
*Chairman of the Board*

Guangzhou, the PRC  
8 November 2023

*As at the date of this announcement, the Board comprises Mr. Guo Junfa, Mr. Zhu Fang, Mr. Huang Wenban, Mr. Hu Xianhua and Mr. Hu Jian as executive directors of the Company, Mr. Chen Chuxuan as non-executive director of the Company, and Mr. Su Wujun, Ms. Huang Yuan, Mr. Shen Jialong and Mr. Zhang Xiangfa as independent non-executive directors of the Company.*

*\* For identification purpose only*

## **APPENDIX**

According to the Practice Guidelines for Asset Valuation—Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic asset valuation methods, namely, the income approach, the market approach and the asset-based approach shall be analysed based on the purpose of valuation, appraised object, the type of the value, and the availability of information.

The appraisal approaches used in this appraisal are: asset-based approach and income approach. The valuation approach is adopted for the following reasons:

### **(I) ANALYSIS OF APPLICABILITY OF VALUATION APPROACHES**

1. Analysis of applicability of asset-based approach: As the appraised unit has complete financial information and asset management information to use, and the relevant data and information sources of asset acquisition cost are wide, the asset-based approach can be adopted in this appraisal.
2. Analysis of applicability of income approach: As the business model of the appraised unit has gradually developed, the future income can be reasonably predicted and the discount rate corresponding to the risk of the enterprise's future income can also be reasonably estimated under the condition of continuing the existing business and its scope. Therefore, the income approach can be used in this appraisal.
3. Analysis of applicability of market approach: Given that the characteristics of the appraised assets and the low degree of marketisation and informatisation in China at present, it is hard to collect enough cases of equity transactions of similar enterprises, it is not appropriate to adopt the market approach.

Combined with the object, purpose and data collected by appraisers, it is determined that the asset-based approach and income approach are used to evaluate the value of total shareholders' equity of Zhaoqing Yueyun that has been entrusted for evaluation.

### **(II) ASSET-BASED APPROACH**

#### **1. Current assets**

- (1) Monetary funds, being cash and bank deposits, are determined by cash counting, verification of cash book, bank statements, bank letters, etc., and the appraised value shall be determined according to the verified value.
- (2) Regarding receivables and other receivables: the appraisers should, after the receivables are verified correctly, determine the appraised value according to the amount that may be recovered from each payment. If there is every reason to believe that the amounts can be fully recovered, the appraised value is calculated according to all the receivables; for amounts which are very likely to be irrecoverable or it is difficult to determine the irrecoverable amount, evaluation is based on the historical data and information learned from the investigation, which includes a concrete analysis of the amount, debt time and reason, recovery of payments, and borrowers' funds, credit and management status, and an aging analysis to estimate such irrecoverable amounts as the appraised value minus the loss from risk; if there is strong evidence that the amounts are irrecoverable, the value shall be determined as zero, and items related to "provision for bad debt" in the accounts shall be determined as zero.



- (3) Prepayment: the appraisers refer to the relevant materials procurement contract or supply agreement in order to understand the services and goods received during the period from the valuation benchmark date to the on-site verification. In the event that no bankruptcy, cancellation or inability to provide goods or services in a timely manner by the supplier as stipulated in the contract is found, the verified book value shall be taken as the appraised value. For prepayments with definite evidence that the corresponding goods are irrecoverable and no prepayments of the corresponding assets or rights can be formed, the appraised value is zero.
- (4) Inventories: firstly, the appraisers checked the purchase and sale contracts, invoices, the purchase time and the recorded amount; and found that the composition of book cost was reasonable. The appraisers investigated the market price on the benchmark date, and found that most of the inventory was recently purchased, and the book value was similar to the market sales price on the benchmark date, the verified book value of the inventories was thus adopted as the appraised value.
- (5) Other current assets: the appraisers obtained information of relevant documents on the basis of verified value of other current assets. The appraised value is determined according to the book value in this appraisal.

## **2. Long-term equity investments and investments in other equity instruments**

A complete valuation is applied to the wholly-owned and controlling long-term equity investments. Firstly, the value of total shareholders' equity of the investee is evaluated, and then the value of part of the shareholders' equity is calculated by multiplying it with the shareholding ratio.

For non-controlling investment in other equity instruments, the financial statements of the investee shall be obtained at first in order to obtain the net asset value, and the value of part of the shareholders' equity is calculated by multiplying it with the shareholding ratio.

## **3. Equipment**

According to the detailed list of machinery and equipment provided by the enterprise, the amounts in the list are consistent with those in the accounts and statements after verification, and the ownership is confirmed by reviewing and verifying the relevant contracts, legal ownership certificates and accounts auditing. On this basis, professional engineers and technicians are arranged to conduct necessary on-site investigation and verification on such major equipment.

Replacement cost approach is mainly used based on the investigation and analysis of data provided by the enterprise, the purpose of this appraisal, the principle of continuous use, the market price as well as the characteristics of the appraised equipment.

Appraised value = complete replacement value - actual depreciation - functional depreciation - economic depreciation



#### 4. Buildings and structures

For buildings, the cost approach and market approach are mainly used in this appraisal.

##### *(1) Cost approach*

Given that passenger station building, auxiliary building of the station, etc., have few market cases for enterprise operation, we use replacement cost approach to evaluate such buildings. The cost approach is a method to calculate the repurchase price and depreciation of the appraised object at the time of appraisal. The depreciation is then deducted from the repurchase price in order to obtain the appraised value.

The full replacement price of buildings generally includes the comprehensive cost of construction and installation, preliminary cost and other expenses and capital cost. The formula for calculating the full replacement price of buildings is as follows:

Appraised value = full replacement price – actual depreciation – economic depreciation

##### *1) Determination of full replacement price*

The full replacement price of buildings generally includes the comprehensive cost of construction and installation, preliminary cost and other expenses and capital cost.

Full replacement price = comprehensive cost of construction and installation + preliminary cost and other expenses + capital cost

##### ① Comprehensive cost of construction and installation

The benchmark per-square-metre construction price is determined according to factors affecting the construction price of buildings such as the span, height and decoration. The per-square-metre construction price reflects the normal construction level, construction quality and general decoration standard of the type of buildings on the valuation benchmark date and the region where they are located. On this basis, according to the characteristics of buildings (such as different number of floors, span, special decoration, construction difficulties, etc.) and on-site investigation, the per-square-metre cost is adjusted correspondingly to determine the construction and installation cost before and after tax.

##### ② Determination of preliminary cost and other expenses

According to the relevant charging regulations of the state (industry), combined with the actual situation of the construction project on the valuation benchmark date, the appraised unit is regarded as an independent construction project, and is determined based on the investment scale of the fixed assets of the enterprise.

### ③ Capital cost

The capital cost is calculated based on the reasonable construction period of the appraised unit, with reference to the benchmark interest rate for RMB loans of financial institutions for the same period published by the People's Bank of China on the valuation benchmark date, and based on the sum of comprehensive cost of construction and installation, preliminary and other expenses, and on the basis of the even investment of capital. The formula for calculating the capital cost is as follows:

Capital cost = (comprehensive cost of construction and installation (tax inclusive) + preliminary and other expenses) x rate of capital cost x reasonable construction period/2

#### 2) *Actual depreciation*

Determination of comprehensive newness rate

Based on the economic useful life and used life of buildings within the scope of appraisal, it is determined in combination with on-site inspection, historical renovation and transformation of buildings and structures, maintenance of buildings, utilisation rate of buildings and external conditions, etc. The process of determining the comprehensive newness rate is based on the conditions of whether the appraised object can continue to be used functionally, with the stability and robustness of the basic and main structure as the main conditions, while the newness rate of the appraised object can only be calculated under the condition that the basic and main structure can be used continuously. As the supplementary conditions for adjusting the newness rate of the basic and main structure, it is determined in combination with various external factors affecting potential economic returns.

#### 3) *Economic depreciation*

Economic depreciation is the depreciation in value caused by the external factors of buildings, such as insufficient work or suspension of production to become idle assets, which is eventually reflected in the decrease in utilisation rate of the buildings and the amount of income.

The formula for calculating economic depreciation: amount of economic depreciation = (RC – Dp – Df) x rate of economic depreciation

Rate of economic depreciation = 1 – (production capacity of the assets that are expected to be utilised / originally planned production capacity of the assets) ^ X x 100%

#### 4) *Determination of the appraised value*

Appraised value = full replacement price – actual depreciation – economic depreciation

## **(2) Market approach**

There are many commercial and residential buildings cases such as the office building of the headquarters, the residential buildings of the Fengkai dormitory, and the shops of Sihui Dongcheng sub-station. We adopt the market comparison approach for such buildings. The market comparison approach estimates the objective and reasonable price or value of the appraised object by comparing the appraised object with similar recent properties transactions at the time of appraisal and making appropriate adjustments to the known prices of such similar properties.

I. The basic calculation formula of the market approach is:

$$\text{Comparable price} = \text{transaction price of comparable cases} \times \text{transaction correction coefficient} \times \text{market condition adjustment coefficient} \times \text{real estate condition adjustment coefficient}$$

Among them, the real estate condition adjustment coefficient includes three coefficients, namely the adjustment coefficient for location condition, the adjustment coefficient for physical condition and the adjustment coefficient for equity condition. These three coefficients are calculated based on the transaction price of comparable cases, and the adjustment coefficient for real estate condition is calculated by multiplying the three coefficients.

### **5. Right-of-use assets**

Right-of-use assets are all right-of-use assets of leasehold lands, etc. The appraisers understood the value and rights of various expenses mainly by reviewing relevant documents and source evidences. The appraised value of right-of-use assets is determined according to the book value in this appraisal.

### **6. Intangible assets – land use rights**

According to the “Regulations for Valuation of Urban Lands” (hereinafter referred to as the “Regulations”), the valuation approaches include market comparison approach, income capitalisation approach, hypothetical development approach, cost approximation approach and benchmark land price coefficient correction approach. Regulations for land price valuation shall be observed in selecting a valuation approach and a proper one will be determined in the light of the respective applicability and practicality of each approach and in consideration of the detailed features and valuation purposes of the land parcel to be appraised.

According to the property rights information provided by the appraised unit and the on-site investigation, considering that the land parcel to be appraised is for science and education, industrial land, comprehensive land, urban residential land, commercial and financial land, transportation land, highway land, transportation land and station buildings, and in accordance with the valuation standards, taking into account the location, nature of land, conditions of use and local land market conditions of the land parcel to be appraised, the benchmark land price correction method is adopted for this appraisal. The reasons for selecting the benchmark land price correction approach are as follows:

The income capitalisation method is a method of estimating the annual total income and annual total expenses by collecting relevant information to determine the annual net income, and then calculating the land income price by the income capitalisation rate. The income capitalisation approach is mainly used for land with actual income or potential income, while the land entrusted for appraisal has no actual income, the surrounding land rent level is not available, and it is difficult to estimate its potential income. Therefore, it is not appropriate to use the income capitalisation approach to evaluate the land.

The residual approach, also known as hypothetical development approach, is a method to estimate the land price by estimating the transaction price of real estate, present value of building and transaction taxes. The residual approach is mainly used for land valuation with investment development or redevelopment potential. As all the land parcels of the appraised object have been constructed with no investment development or redevelopment potential, the land use rights included in the scope of appraisal are not suitable to be appraised by adopting the residual approach.

The cost approximation approach is to obtain the land acquisition fee, land development fee, and relevant taxes and fees of the land parcel to be appraised by collecting the cost, interest, profit and other information related to the valuation, directly or indirectly, and make necessary adjustments to the land price to obtain the price of the land to be appraised. The cost approximation approach is generally applicable to the valuation of land prices in newly developed land or areas with less developed land markets and few transaction cases, so the cost approximation approach is not adopted for the valuation of the land parcel.

The market comparison approach determines the comparable cases by collecting land transaction cases, establishes the basis for price comparison, and finally determines the market price of the appraised object by adjusting the transaction price. The market comparison approach is mainly used in areas with developed real estate market and sufficient comparable examples. For the land use rights included in the scope of appraisal, there were relatively few transactions in the surrounding areas in recent years, and the transaction prices varied significantly. Therefore, it is not appropriate to use the market comparison approach for the valuation of the land parcel.

The benchmark land price coefficient correction approach is a method to calculate the land price through the benchmark land price correction system by collecting the benchmark land price information. The benchmark land price is applicable to a region where the government has announced the benchmark land price and there is a complete benchmark land price correction system. If the government of the region where the appraised object is located has announced the latest benchmark land price and there is a complete benchmark land price correction system, the benchmark land price approach can be adopted for the valuation of the land parcel.

The formula for calculating the benchmark land price coefficient correction approach:

$$P = P_b \times (1 + \sum K_i) \times K_j + D$$

Where:

- P — land price of the land parcel to be appraised
- P<sub>b</sub> — benchmark land price at the location where the land parcel to be appraised is located
- ∑K<sub>i</sub> — land price correction coefficient of the land parcel (correction coefficient of regional factor)
- K<sub>j</sub> — other correction coefficient such as valuation date, plot ratio, land tenure
- D — correction value of level of land development

## 7. Intangible assets – other intangible assets

The appraisers checked the accounting records of other intangible assets, sampled the source evidences and other information, and reviewed the authenticity and accuracy of the reported data. Subsequently, the appraised value is recognised at the verified book value.

## 8. Liabilities

The appraisal of corporate liabilities is mainly based on review and verification. The appraisers verified the relevant documents, contracts, books and relevant vouchers, confirmed their authenticity, and determined the appraised value based on the verified book value or the liabilities actually assumed by them.

### (III) INCOME APPROACH

The discounted cash flow approach under the income approach is adopted for the appraisal of the overall value of the enterprise to indirectly obtain the value of total shareholders' equity. The overall value of the entity is composed of the value of operating assets generated from normal operating activities and the value of non-operating assets irrelevant to normal operating activities. For the determination of the value of operating assets, the discounted free cash flow model of the enterprise is adopted, which is based on the free cash flow of the entity in the next few years, and is calculated by discounting and summing up with an appropriate discount rate. The income approach calculation model is as follows:

Value of total shareholders' equity = overall value of the entity - value of interest-bearing debts

#### 1. Overall value of entity

Overall value of entity refers to the sum of the value of total shareholders' equity and the value of interest-bearing debts. Based on the asset allocation and usage of the appraised unit, the overall value of entity is calculated as follows:

Overall value of entity = value of operating assets + value of surplus assets + value of non-operating assets and liabilities + individually appraised long-term equity investment

##### (1) Value of operating assets

Operating assets refer to assets and liabilities related to the production and operation of the appraised unit and involved in the forecast of free cash flow of the enterprise after the valuation benchmark date. The formula for calculating the value of operating assets is as follows:

$$P = \sum_{i=1}^{N_i} A_i(1+R)^{-i} + \frac{A_{i0}}{R} (1+R)^{-N_i}$$

Where: P: value of operating assets of the enterprise as at the valuation benchmark date;  
 A<sub>i</sub>: expected free cash flow of the enterprise in the i-th year after the valuation benchmark date;  
 A<sub>i0</sub>: expected free cash flow of the enterprise at the end of the forecast period;  
 R: discount rate (weighted average cost of capital, WACC);  
 N: forecast period;  
 i: the i-th year of the forecast period, this appraisal adopts mid-year discount.

In particular, the formula for calculating the free cash flow of enterprise is as follows:

Free cash flow of enterprise = net profit before interest and after tax + depreciation and amortisation - capital expenditure - increase in working capital

The formula for calculating discount rate (weighted average cost of capital, WACC) is as follows:

$$WACC = R_e \times E/(D + E) + R_d \times (1-T) \times D/(D + E)$$

Where: K<sub>e</sub>: cost of equity capital  
 E: market value of equity capital  
 D: market value of debt capital  
 R<sub>d</sub>: cost of debt capital  
 T: income tax rate

In particular, the cost of equity capital is calculated using the capital asset pricing model (CAPM). The formula is as follows:

$$R_e = R_{f1} + \beta (R_m - R_{f2}) + \text{Alpha}$$

Where: R<sub>e</sub>: expected return on equity, i.e. cost of equity capital  
 R<sub>f1</sub>: risk-free return rate  
 β : beta coefficient  
 R<sub>m</sub>: market expected rate of return  
 R<sub>f2</sub>: long-term market expected rate of return  
 Alpha: special risk premium  
 (R<sub>m</sub>-R<sub>f2</sub>): equity market excess risk return rate, known as ERP

(2) *Value of surplus assets*

Surplus assets refer to assets that exceed the production and operation needs of the enterprise on the valuation benchmark date and are not involved in the forecast of the enterprise's free cash flow after the valuation benchmark date. Therefore, the monetary funds of the enterprise as at the benchmark date after deducting the minimum amount of cash in daily operation is taken as surplus assets in this appraisal.

(3) *Value of non-operating assets*

Non-operating assets refer to assets that are not related to the production and operation of the appraised unit and are not involved in the forecast of the enterprise's free cash flow after the valuation benchmark date. The non-operating assets of the appraised unit are other current assets, etc. The cost approach is adopted in this appraisal.

(4) *Value of non-operating assets and liabilities*

Non-operating liabilities refer to liabilities that are not related to the production and operation of the appraised unit and are not involved in the forecast of the free cash flow of the enterprise after the valuation benchmark date. The non-operating liabilities of the appraised unit are other current liabilities, etc. The cost approach is adopted in this appraisal.

(5) *Individually appraised long-term equity investment*

The income approach does not include subsidiaries in the scope of operating assets, which therefore need to be appraised individually. The asset-based approach is adopted in this appraisal.

**2. *Value of interest-bearing debts***

Interest-bearing debts refer to the liabilities for which the appraised unit is required to pay interest as at the valuation benchmark date. The asset-based approach is adopted in this appraisal.



## **IMPLEMENTATION PROCESS AND CIRCUMSTANCES OF THE APPRAISAL PROCEDURES**

The appraisers evaluated the assets and liabilities of the appraised object. The implementation process and circumstances of the major appraisal procedures are as follows:

### **(I) Acceptance of commission**

Our company and the client reached an agreement on the basic matters of the appraisal business, such as the purpose of appraisal, the appraised object and the scope of appraisal, the valuation benchmark date, as well as the rights and obligations of all parties. Our company agreed with the client on the relevant appraisal plan, the submission time and manner of the appraisal report and other basic matters of the appraisal business.

### **(II) Preliminary preparation**

Based on the basic matters of the appraisal, formulate the appraisal plan, set up the appraisal team, and carry out project-related personnel training.

### **(III) On-site investigation**

The appraisers conducted necessary checking and verification of the assets and liabilities of the appraised object, and conducted necessary due diligence on the operation and management of the appraised unit.

#### ***1. Guiding the appraised unit to fill in forms and prepare materials to be provided to the appraising institution***

The appraisers guided the financial and asset management personnel of the appraised unit to, on the basis of self-inspection of assets, fill in the “asset appraisal schedule” provided by the appraising institution according to its requirements and list of information in a detailed and accurate manner for the assets included in the scope of appraisal, and in the meantime, collect and prepare the title documents of the assets and documents and information reflecting their performance, status, economic and technical indicators, etc.

#### ***2. Preliminary review and improvement of the asset appraisal schedules filled in by the appraised unit***

The appraisers understood the detailed conditions of the specific assets included in the scope of appraisal by reviewing the relevant information, and carefully reviewed various “asset appraisal schedules” to check if there were any incomplete, erroneous or unclear asset items, and to check if there were any omissions in the “asset appraisal schedules” based on their experience and relevant information, and to provide feedback to the appraised unit for improvement of the “asset appraisal schedules”.

### **3. *On-site investigation***

Based on the type, quantity and distribution of the assets included in the scope of appraisal, the appraisers, with the cooperation of the relevant personnel of the appraised unit, conducted on-site investigation of various assets in accordance with the relevant provisions of the asset appraisal standards, and adopted different investigation methods according to the nature and characteristics of different assets.

### **4. *Supplement, modify and improve the asset appraisal breakdown***

Based on the results of on-site investigation, the appraisers fully communicated with the relevant personnel of the appraised unit to further improve the “asset appraisal schedule” to ensure that the accounts, statements and facts were consistent.

### **5. *Verification of title documents***

The appraisers examined the title documents and information of the equipment and other assets included in the scope of appraisal, and requested the enterprise to verify or issue relevant title documents in the event of any incompleteness or unclearness in title information.

## **(IV) Data collection**

The appraisers collected the appraisal information based on the specific conditions of the appraisal project, including the information obtained directly and independently from the market and other channels, the information obtained from the client and other relevant parties, as well as the information obtained from government departments, various professional institutions and other relevant departments. The appraisers made necessary analysis, summary and sorting of the appraisal information collected to form the basis for appraisal and estimation.

## **(V) Appraisal and estimation**

Based on the specific conditions of each type of assets, the appraisers selected the corresponding formulas and parameters for analysis, calculation and judgement according to the selected appraisal approaches, and formed a preliminary appraisal conclusion. The person in charge of the project summarised the preliminary conclusion of the appraisal of various assets, and prepared and formed the preliminary asset appraisal report.

## **(VI) Internal audit**

According to the requirements of the administrative measures for the appraisal business procedure of our company, the person in charge of the project shall submit the preliminary asset appraisal report to our company for internal review. Upon the completion of internal review, the person in charge of the project shall communicate with the client or other relevant parties agreed by the client on the relevant contents of the asset appraisal report, and issue and submit the asset appraisal report after making reasonable amendments based on the feedback.

## **(VII) Archiving of appraisal files**

The working papers, asset appraisal report and other relevant information were compiled in accordance with the requirements of the asset appraisal standards to form the asset appraisal files.

## **VALUATION ASSUMPTIONS**

In this asset appraisal report, the assumptions adopted during analysis and estimation are as follows:

### **(I) Basic assumptions**

1. The open market assumption assumes that for assets traded in the market or assets intended to be traded in the market, both parties of the asset transaction have equal status with each other and both parties have the opportunity and time to obtain sufficient market information to facilitate rational judgments about the functions, use, transaction prices, etc.;
2. The transaction assumption assumes that all assets to be appraised are already in the process of transaction, and the appraiser carries out a valuation based on the transaction conditions of the assets to be appraised in a simulated market. It is the most essential prerequisite for asset valuation;
3. The going concern assumption assumes that the appraised unit will not cease operations due to various reasons based on its existing assets and resource conditions.

### **(II) General assumptions**

1. It is assumed that there are no major changes in the prevailing relevant laws, regulations and policies of China as well as its macroeconomic situation, and that there are no major changes in the political, economic and social environment of the region where the parties to the transaction are located.
2. It is assumed that there are no force majeure and unforeseen factors that will have a significant adverse impact on the appraised unit after the valuation benchmark date.
3. It is assumed that the company's operators are responsible and fully comply with all relevant laws and regulations, and that the company's management has the ability to perform their duties.
4. The enterprise abides by the relevant laws and regulations of China, and there will be no major violations that affect the company's development and revenue realisation.
5. It is assumed that there are no major changes in the interest rates, exchange rates, tax bases and tax rates, policy levies, etc. related to the appraised unit after the valuation benchmark date.

6. It is assumed that the values of various parameters measured in the appraisal are determined according to the prevailing price system, without considering the impact of inflation after the valuation benchmark date.

### **(III) Special assumptions**

1. It is assumed that the purchase, acquisition, and construction processes of the assets involved in the appraisal are in compliance with the relevant laws and regulations of China;
2. It is assumed that the assets owned by the enterprise have clear property rights and are owned by the appraised unit, and there are no possible joint and several liabilities and legal issues beyond the scope of valuation;
3. It is assumed that there will be no major changes in the enterprise's business scope and methods in the future operating period, and its principal business structure, income-cost composition, sales strategy and cost control of future business will remain the same as in the recent years with no major changes. Future changes in operating capabilities, business scale, business structure, etc. that may be caused by changes in management, business strategies, additional investments, and business environment have not been taken into account, although such changes are likely to occur. The appraisal is based on the operating capabilities, business scale and operating model as of the benchmark date, without taking into account special changes caused by possible over-production and production reduction, etc.;
4. It is assumed that the cash inflow and cash outflow of the appraised unit after the valuation benchmark date are in equal portion every year;
5. It is assumed that the qualification certificate can be successfully renewed upon expiration;
6. It is assumed that the appraised unit will still be benefited from the fuel subsidy policy in future years, and there will be no major changes in subsidy standards from previous years;
7. It is assumed that the current and future operators of the enterprise are responsible, and corporate management can steadily promote the company's development plan so as to achieve the expected business situation as much as possible.

The appraisal conclusion of the asset appraisal report is tenable on the valuation benchmark date under the above assumptions, and in the event of any significant changes in the above assumptions, the undersigning asset appraiser and the appraising institution shall not be liable for deriving a different appraisal conclusion as a result of such changes in the assumptions.

## APPRAISAL CONCLUSION

In accordance with the relevant asset appraisal regulations of China, and in line with the principles of independence, impartiality and objectivity and necessary appraisal procedures, the value of the total shareholders' equity of Zhaoqing Yueyun was appraised. The appraisal has adopted the asset-based approach and the income approach, and the appraisal conclusion was drawn based on the above appraisal work. The appraisal results are as follows:

### (I) Appraisal results under asset-based approach

As at the valuation benchmark date of 31 December 2022, the book value of the total assets of Zhaoqing Yueyun on the valuation benchmark date was RMB325,281,000 and the appraised value was RMB317,754,200, representing a depreciation of RMB7,526,800, or a depreciation rate of 2.31%. The book value of the total liabilities was RMB196,302,600 and the appraised value was RMB187,822,500, representing a depreciation of RMB8,480,100, or a depreciation rate of 4.32%. The book value of the net assets was RMB128,978,400 and the appraised value was RMB129,931,700, representing an appreciation of RMB953,300, or an appreciation rate of 0.74%. Please refer to the following table for details:

**Appraisal results summary table under asset-based approach**  
**Valuation benchmark date: 31 December 2022**

*Unit of amount: RMB'0000*

Items		Book value	Appraised value	Appreciation/ depreciation amount	Appreciation rate (%)
		A	B	C=B-A	D=C/A×100%
1	Current assets	10,477.17	10,477.17	–	–
2	Non-current assets	22,050.93	21,298.25	-752.68	-3.41
6	Long-term equity investments	1,000.00	462.07	-537.93	-53.79
7	Investments in other equity instruments	394.00	151.68	-242.32	-61.50
8	Fixed assets	14,963.30	13,121.91	-1,841.39	-12.31
13	Right-of-use assets	306.37	306.37	–	–
14	Intangible assets	5,387.26	7,256.22	1,868.96	34.69
20	Total assets	32,528.10	31,775.42	-752.68	-2.31
21	Current liabilities	18,159.15	18,159.15	–	–
22	Non-current liabilities	1,471.11	623.10	-848.01	-57.64
23	Total liabilities	19,630.26	18,782.25	-848.01	-4.32
24	Net assets (shareholders' equity)	12,897.84	12,993.17	95.33	0.74

As appraised by the asset-based approach, the value of the total shareholders' equity of Zhaoqing City Yueyun Motor Transportation Co., Ltd. on the valuation benchmark date was RMB129,931,700.

## **(II) Appraisal results under income approach**

The book value of the net assets of Zhaoqing City Yueyun Motor Transportation Co., Ltd. on the valuation benchmark date was RMB128,978,400. As appraised by the income approach, the value of the total shareholders' equity was RMB128,252,400, the depreciation amount was RMB726,000, and the depreciation rate was 0.56%.

## **(III) Appraisal conclusion**

As appraised by the income approach, the value of the total shareholders' equity was RMB128,252,400. As appraised by the asset-based approach, the value of the total shareholders' equity was RMB129,931,700. The difference was RMB1,679,300, and the rate of difference was 1.29%.

The differences between the appraisal results under the income approach and the asset-based approach are:

Difference is caused by the different value connotations reflected by the two appraisal approaches. The asset-based approach uses the cost replacement of asset as the value standard, which reflects the socially necessary labour (acquisition and construction cost) consumed by the investment in the asset. Such acquisition and construction cost usually changes with changes in the national economy. In the meantime, the income approach uses the expected income of asset as the value standard, which reflects the operating capability (profitability) of the asset. Such profitability is usually affected by various conditions such as macroeconomics, government control, business management of enterprise and the effective use of asset.

The appraised unit, Zhaoqing Yueyun, had suffered from a decline in operations due to factors such as the epidemic which lasted for three years. After implementing a series of measures such as cutting staff, reducing costs and increasing efficiency, although the efficiency has been slowly restored, profitability in the short term is highly uncertain. In addition, as the income approach conducts purchase and inventory analysis based on the forecast of future operations which will be different from the actual situation, the appraisal has adopted the conclusion under the asset-based approach to confirm the total shareholders' equity of Zhaoqing Yueyun.

Based on the above analysis, the appraisal conclusion of this asset appraisal report has adopted the appraisal results under the asset-based approach, so that the appraisal result of the total shareholders' equity value of Zhaoqing City Yueyun Motor Transportation Co., Ltd. was RMB129,931,700.

The appraisal has not considered the impact of equity liquidity on the appraisal results.

## SPECIAL NOTES

The following are relevant matters that have been discovered during the appraisal process that may affect the appraisal conclusion but are beyond the professional level and ability of the appraiser to assess and estimate:

- (I) The appraisal conclusion of this appraisal report has not taken into account the related fees and taxes that may exist in the process of equity registration or ownership change of the appraised assets; has not taken into account the impact of pledges, guarantees, pending litigation and other matters on the appraisal conclusion; and has not taken into account the possible changes in tax liability resulting from appreciation or depreciation in appraised value.
- (II) This appraisal report was based on information related to asset appraisal provided by the client and relevant parties of the appraised unit. It is the responsibility of the client and relevant parties to provide necessary information and ensure the authenticity, legality, completeness of the information provided and the legality of operation. The necessary inspection, verification and disclosure of the information and its sources by asset appraisal professionals does not mean that they provide any guarantee for the authenticity, legality and completeness of the above-mentioned information. Confirming or expressing opinions on the information and its sources is beyond the scope of asset appraisal professionals.
- (III) Prior to the appraisal, the Beijing Branch of Pan-China Certified Public Accountants LLP conducted a special audit on the assets and capital of Zhaoqing City Yueyun Motor Transportation Co., Ltd. with 31 December 2022 as the benchmark date, and issued a special audit report on assets and capital (Tian Jian Jing Shen [2023] No. 102). Zhaoqing City Yueyun Motor Transportation Co., Ltd. reported the results after audit adjustments. The appraisal of the total shareholders' equity of Zhaoqing City Yueyun Motor Transportation Co., Ltd. was conducted on the basis of the audit by a certified public accountant. The appraising institution would like to remind users of this asset appraisal report to pay attention to the above-mentioned audit report.
- (IV) Intangible asset – Datian (Tuhua) land in Yuecheng Town, according to “Yueyun Transportation – Reply on Agreeing to Deqing County Government to Recover Idle Assets of Zhaoqing Yueyun Yuecheng Station” (Yue Yun Tou [2018] No. 421) provided by the appraised unit and “Letter to Recover Idle Assets” issued by the Deqing County People’s Government, has actually been recovered by the government for free. The appraisal has determined that its value was zero. Users of the report are advised to pay attention.
- (V) Among the fixed assets – houses, buildings, structures and other auxiliary facilities included in the appraisal, there were many cases where decoration project costs, renovation project costs, hardening project costs, etc. were incorporated into the houses, buildings or lands. For example, after checking against the contract information of Chengdong Passenger Terminal Waiting Room Expansion Project (fixed assets – item 10 of the house and building appraisal schedule), the appraised object actually corresponded to the renovation project of the sales room of Chengdong Station (first floor) (fixed assets – item 16 of the house and building appraisal schedule). This part of renovation project has been taken into account when assessing the replacement cost of the houses and buildings. As a result, this part of asset that was incorporated into the houses, buildings or lands, such as decoration project costs, renovation project costs, and hardening project costs, was not appraised or measured separately in the appraisal. Users of the report are advised to pay attention.



- (VI) Among the fixed assets – houses and buildings included in the appraisal, there were many houses, buildings, structures and ancillary facilities that did not have relevant planning and construction application materials and had not obtained property rights certificates. The appraised unit has issued a property rights guarantee document guaranteeing its ownership of such untitled houses and buildings (structures). The relevant information of this part of the appraised object was based on the “Asset Appraisal Declaration Detailed Form” provided by the appraised unit. Users of the report are advised to pay attention.
- (VII) Among the intangible assets – land included in the scope of appraisal, for the first and second floors of Building 2, No. 2 Qiao’an Street, Heping Road, Duanzhou District, Zhaoqing City (land certificate number: Zhao Fu Guo Yong (2012) No. 0010506), the land area recorded in the certificate of 352.23 sq.m. refers to the area of a shared parcel, where the allocated land area of the first and second floors of Building 2 is 70.96 sq.m.; for the first floor of No. 13, Duanzhou 3rd Road, Zhaoqing City (land certificate number: Zhao Fu Guo Yong (2012) No. 0010554), the land area recorded in the certificate of 484.10 sq.m. refers to the area of a shared parcel, where the allocated land area of the first floor is 88.15 sq.m. The land area of the appraised object was evaluated based on its allocated land area. Users of the report are advised to pay attention.
- (VIII) For the intangible assets – land items 2-3, 13-17, 24-29 included in the scope of appraisal, the land refers to the allocated land area of the corresponding building, and the land use is consistent with the corresponding housing uses, which are commercial, residential and offices, respectively. The land values are therefore incorporated into the corresponding houses for calculation. Users of the report are advised to pay attention.
- (IX) For the intangible asset – item 22 of the land schedule, being Huaiji Bus Station land parcel (land certificate number: Huai Guo Yong (2005) No. 0324), included in the scope of appraisal, the owner listed on the certificate is Zhaoqing City Yueyun Motor Transportation Co., Ltd. Huaiji Bus Station, the right-of-use type is national land allocation, the land use is bus station land, and the area is 5,577.3 sq.m. According to the client, the land was the former employee dormitory of Huaiji Bus Station of Zhaoqing Motor Co. In 2004, during the restructuring of Motor Co., this part of asset was mistakenly included in the restructuring scope, and in 2005, the land rights and ownership were transferred to the appraised unit, Zhaoqing City Yueyun Motor Transportation Co., Ltd. In 2007, it was found out that 3,328.84 sq.m. of land owned by Zhaoqing Motor Group Co. had mistakenly transferred as asset of Zhaoqing Yueyun Co. (in accordance with the “Correction and Reallocation of Restructured Assets and Debt Compensation Agreement”). As a result, the actual interest of Zhaoqing City Yueyun Motor Transportation Co., Ltd. in this parcel of land is 2,248.46 sq.m. The appraisal only included 2,248.46 sq.m. of land that the appraised unit, Zhaoqing City Yueyun Motor Transportation Co., Ltd., has actual interest. Users of the report are advised to pay attention.
- (X) For the intangible assets – land included in the scope of appraisal, the land use types mainly include scientific and educational land, industrial land, comprehensive land, urban residential land, business and financial land, transportation land, highway land, transportation land, station buildings, etc. According to the “Urban Land Benchmark Land Price Standards” published by the municipality and various districts and counties of Zhaoqing City, land use types are mainly divided into four categories: commercial service land, residential land, industrial land, and public service land. Therefore, the appraisal is required to categorise different land use types, the standards of which are based on the appendix “Correction Coefficient Table for Land Use Types of Other Uses” of the “Urban Construction Land Benchmark Land Price” published by various districts and counties of Zhaoqing City. Land use corrections have been made during the actual appraisal. Users of the report are advised to pay attention.

(XI) For the intangible assets – land included in the scope of appraisal, there are six cases of allocated land, details of which are as follows:

No.	Land certification number	Location of land	Land use	Method of acquisition	Land area (sq.m.)
1	Huai Guo Yong (2005) No. 00324	No. 33, Xingfu Road, Huaiji County	Bus station land	Allocation	2,248.46
2	Si Guo Yong (2007) No. 003891	No. 54, Xinfeng Road, Chengzhong Street, Sihui City	Transportation land (bus station)	Allocation	11,046.77
3	Si Guo Yong (2007) No. 003890	No. 2, Main Street West, Didou Town, Sihui City	Transportation land (bus station)	Allocation	164.92
4	Si Guo Yong (2007) No. 003893	No. 43, New Street, Didou Town, Sihui City	Transportation land (bus station)	Allocation	1,904.04
5	Si Guo Yong (2007) No. 003884	No. 29, Jianggu Avenue, Jianggu Town, Sihui City	Transportation land (bus station)	Allocation	838.81
6	Si Guo Yong (2007) No. 003883	No. 4, Zhenxing Road, Weizheng Town, Sihui City	Transportation land (bus station)	Allocation	1,498.02

In accordance with the relevant regulations of the land and resources department, when state-owned land use rights obtained through allocation are transferred, leased, or pledged, land transfer fees must be paid to the land and resources department. The standards for payment shall be based on the standards announced by the people's government at the county level where the appraised object is located. For example, according to the inquiry result about the standards for payment of land transfer fees in the location of the appraised object, the standards for payment of land transfer fees in Sihui City are in compliance with the "Supplementary Notice on Adjusting the Standards for Payment of Land Prices for the Transfer and Allocation of State-owned Land Use Rights in Our City" (Si Fu Ban [2008] No. 60), that the minimum price standard for transfer fee shall be 45% of the land price. For the purpose of this appraisal, the appraisal results of the above-mentioned land have been subject to payment and deduction according to the corresponding transfer fee standards. The actual payment amount shall be subject to the actual measurement by the land and resources department. Users of the report are advised to pay attention.

(XII) It is assumed that the appraised unit will be benefited from the fuel subsidy policy in subsequent years, and that the subsidy standards will not change much from the levels in previous years. Should there be major changes, an appraising institution shall be engaged for re-evaluation. Users of the report are advised to pay attention.

(XIII) The management of Huaiji County Yueyun Urban and Rural Public Transport Co., Ltd. (hereinafter referred to as “Huaiji Public Transport”) invested in Zhaoqing Zhaoyun Investment Co., Ltd. (hereinafter referred to as “Zhaoyun Company”) and Zhaoqing Xinyun Investment Co., Ltd. (hereinafter referred to as “Xinyun Company”) not for the purpose of obtaining control of Zhaoyun Company and Xinyun Company, but for trading purposes. Huaiji Public Transport did not participate in the operation and management of Zhaoyun Company and Xinyun Company. Its ultimate goal was to obtain the equity interests of Zhaoqing City Yueyun Motor Transportation Co., Ltd. (hereinafter referred to as “Zhaoqing Yueyun Shares”) held by Zhaoyun Company. Each of Zhaoyun Company and Xinyun Company later planned to separate into two companies (one of them, Company A, was 100% owned by Huaiji Public Transport and held the corresponding Zhaoqing Yueyun Shares). Upon the completion of the separation, Huaiji Public Transport absorbed and merged with the subsidiary A, thereby achieving the intention of directly investing in Zhaoqing Yueyun Shares. As Huaiji Public Transport had no control over Zhaoyun Investment and Xinyun Investment and did not participate in the operation and management of Zhaoyun Investment and Xinyun Investment, the audit treated this item as a held-for-trading financial asset. For non-controlling held-for-trading financial assets, this appraisal first obtained the financial statements of the invested unit to find out the net asset value, and then multiplied it with the shareholding ratio to calculate the value of shareholders’ equity.

(XIV) Special circumstances on citing report conclusions issued by other institutions and the possible impact of this matter on the appraisal conclusion;

The financial data for 2023 in this appraisal report were quoted from the special audit report on assets and capital (Tian Jian Jing Shen [2023] No. 102) issued by the Beijing Branch of Pan-China Certified Public Accountants LLP.

(XV) Special circumstances on incomplete or flawed ownership information and the possible impact of this matter on the appraisal conclusion;

Some of the houses of Zhaoqing City Yueyun Motor Transportation Co., Ltd. and its subsidiaries included in the scope of appraisal have not obtained house ownership certificates. Zhaoqing City Yueyun Motor Transportation Co., Ltd. guaranteed that it owned the property rights of these houses. The checking and appraisal were conducted based on the actual measured area declared by Zhaoqing City Yueyun Motor Transportation Co., Ltd. During the effective period of the appraisal report, should there be discrepancies between the area measured on site and the area recorded on the issued property ownership certificates, the area recorded on the property ownership certificates shall prevail.

(XVI) Special circumstances on restricted appraisal procedures and the possible impact of this matter on the appraisal conclusion;

Nil.

(XVII) Special circumstances on incomplete appraisal information and the possible impact of this matter on the appraisal conclusion;

Nil.

(XVIII) Special circumstances on legal, economic and other pending matters existing on the valuation benchmark date and the possible impact of this matter on the appraisal conclusion;

Nil.

(XIX) Special circumstances on the nature and amount of pledges/guarantees/leases/contingent liabilities (contingent assets) and other matters, their relationship with the appraised object, and the possible impact of this matter on the appraisal conclusion;

1. For the intangible asset – Guangning Station land (land certificate number: Ning Guo Yong (2005) No. 2310281627), the land was mortgaged and registered on 30 July 2014, and the mortgagee was Agricultural Bank of China Limited Zhaoqing Branch, with mortgage period from 28 July 2014 to 27 July 2023. As of the valuation benchmark date, the mortgage registration of the land parcel had not yet been cancelled. Upon consideration and approval of a resolution at the 2017 first shareholders meeting of Zhaoqing City Yueyun Motor Transportation Co., Ltd., Zhaoqing Yueyun Company and Agricultural Bank of China Limited Zhaoqing Branch signed a maximum mortgage extension agreement and subsequently signed the extension agreement of “Maximum Mortgage Agreement” on 1 July 2020.

2. For the intangible asset – Gaoyao Station land (ownership certificates: Gao Yao Guo Yong (2012) No. 010740, Guangdong Real Estate Ownership Certificate Gao Zi No. 0000031956), the real estate was mortgaged and registered, and the mortgagee was Industrial and Commercial Bank of China Limited Zhaoqing Duanzhou Branch, with mortgage period from 13 July 2020 to 12 July 2026. As of the valuation benchmark date, the mortgage registration of the real estate had not yet been cancelled.

3. For the intangible asset – Deqing Station land (ownership certificates: Guangdong (2022) Deqing Real Estate Ownership No. 0010084, Guangdong (2022) Deqing Real Estate Ownership No. 0010078), the real estate was mortgaged and registered, and the mortgagee was Industrial and Commercial Bank of China Limited Zhaoqing Duanzhou Branch, with mortgage period from 13 July 2020 to 12 July 2026. As of the valuation benchmark date, the mortgage registration of the real estate had not yet been cancelled.

4. For the intangible asset – the land on the first and second floors of Building 2, No. 2 Qiao’an Street, Heping Road (ownership certificate: Guangdong (2022) Zhaoqing City Real Estate Ownership No. 0034188), the real estate was mortgaged and registered, and the mortgagee was Industrial and Commercial Bank of China Limited Zhaoqing Duanzhou Branch, with mortgage period from 13 July 2020 to 12 July 2026. As of the valuation benchmark date, the mortgage registration of the real estate had not yet been cancelled.

This appraisal had not considered the impact of the above mortgage matters on the appraisal conclusion.

(XX) Special circumstances on matters that occur between the valuation benchmark date and the date of the asset appraisal report which may have impact on the appraisal conclusion;

Nil.

(XXI) From the valuation benchmark date to the effective period of the appraisal report, should there be major changes in the quantity and pricing standards of the appraised assets which have an impact on the appraisal conclusion, this appraisal conclusion shall not be used directly, and the appraisal conclusion shall be adjusted or re-evaluated. We are not responsible for any major changes in the value of the appraised assets after the valuation benchmark date.

Users of the asset appraisal report should pay attention to the impact of the above special matters on the appraisal conclusion.