華富建業企業融資
QUAM CAPITAL

4 November 2024

To the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders

Dear Sir or Madam

(1) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION OF NEW DOMESTIC SHARES UNDER THE SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in relation to the Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate) and the Whitewash Waiver, details of which are contained in the letter from the Board (the "**Letter from the Board**") in the circular of the Company dated 4 November 2024 (the "**Circular**"), to which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 22 August 2024 (after trading hours), the Company entered into the Share Subscription Agreement with SIAMC. According to the terms of the Share Subscription Agreement, the Company has conditionally agreed to allot and issue, and SIAMC has conditionally agreed to subscribe for 40,000,000 new Domestic Shares at the Subscription Price of RMB2.54648 (equivalent to HK$2.78) per Subscription Share for a total consideration of RMB101,859,200 (equivalent to approximately HK$111,200,000) in cash.

As at the Latest Practicable Date, China Changan, which holds 41,225,600 Shares in the Company (representing approximately 25.44% of the total issued share capital), is a substantial Shareholder of the Company, whereas CSGC, which holds 100% of the shareholding in China Changan, is therefore an associate of the Company. SIAMC is a wholly-owned subsidiary of

CSGC and is therefore also an associate of the Company. Accordingly, China Changan, CSGC and SIAMC are all connected persons of the Company as defined in the Chapter 14A of the Listing Rules, whereas the Share Subscription constitutes a connected transaction of the Company and will be subject to announcement, reporting and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, SIAMC does not hold any Shares of the Company whereas the party acting in concert with it, China Changan, holds 41,225,600 Shares in the Company, representing approximately 25.44% of the issued share capital of the Company. Upon Completion of the Share Subscription and assuming there is no other change in the issued share capital of the Company prior to the Completion, the shareholding of SIAMC, its associates and the party acting in concert with it will increase to approximately 40.20% of the issued share capital of the Company.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares under the Share Subscription Agreement to SIAMC will give rise to an obligation on the part of SIAMC to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by SIAMC, its associates and the party acting in concert with it), unless the Whitewash Waiver is granted by the Executive.

SIAMC has submitted an application to the Executive (on behalf of itself and the party acting in concert with it) for the Whitewash Waiver to waive the compliance with the obligation to make a mandatory general offer in respect of all Shares and other securities of the Company (other than those already owned or agreed to be acquired by SIAMC and the party acting in concert with it) (as defined in Note 4 to Rule 22 of the Takeovers Code) under Rule 26.1 of the Takeovers Code as a result of the allotment and issuance of the Subscription Shares to SIAMC. For this purpose, SIAMC has applied to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. According to requirements of the Takeovers Code, the Whitewash Waiver, if granted, will be subject to, among others, the approval by more than 50% of the votes cast in favour by the Independent Shareholders by way of poll in respect of the Share Subscription and at least 75% of the votes cast in favour by the Independent Shareholders by way of poll in respect of the Whitewash Waiver, respectively, at the EGM.

THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE, THE LISTING RULES INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules and Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee (comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Share Subscription and the Whitewash Waiver, namely Mr. Che Dexi, Mr. Chen Wenbo, Ms. Jin Jie, Mr. Li Ming, Mr. Man Wing Pong and Ms. Chen Jing) has been formed to make recommendation to the Independent

Shareholders on the terms of the Share Subscription and the Whitewash Waiver, and as to voting. Mr. Dong Shaojie, non-executive Director, is nominated by China Changan and is therefore not considered as independent for the purpose of giving advice or recommendations to the Independent Shareholders. Pursuant to the Listing Rules, the Listing Rules Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Share Subscription, namely Mr. Li Ming, Mr. Man Wing Pong and Ms. Chen Jing) has been formed to make recommendation to the Independent Shareholders on the terms of the Share Subscription and as to voting.

We have been appointed as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in relation to the Share Subscription and the Whitewash Waiver and to make recommendation as to voting.

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company, SIAMC, or any of their respective controlling shareholders and any party acting, or presumed to be acting, in concert with any of them, and accordingly, are qualified to give independent advice to the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders. During the two years prior to the Latest Practicable Date, we did not act as the financial adviser to the Company or SIAMC, save for acting as the independent financial adviser to the independent board committee and the independent shareholders of the Company in respect of the non-exempt continuing connected transactions and major transaction regarding the deposit transaction, details of which are set out in the circular of the Company dated 23 January 2024. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or SIAMC or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we consider that we are eligible to give independent advice in respect of the Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate) and the Whitewash Waiver.

BASIS OF OUR ADVICE

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Directors and the management of Company (the "**Management**"); (iii) the opinions expressed by and the representations of the Directors and the Management; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the Management. Should there be any material changes to the statements, information and/or representation affecting our opinion after the Latest Practicable Date, the Independent Shareholders would be notified as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

We have reviewed, among others, (i) the annual report of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**"); (ii) the interim report of the Company for the six months ended 30 June 2024 (the "**2024 Interim Report**"); (iii) the Announcement; (iii) the Share Subscription Agreement; and (iv) other information set out in the Circular. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, financial forecast or future prospects of the Group and SIAMC.

This letter is issued for the purpose of advising the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee regarding the Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate) and the Whitewash Waiver, and except for is inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

1.1. Principal business of the Group

The Group is principally engaged in providing a variety of logistics services for car manufacturers and suppliers of car component and parts in the PRC.

1.2. Financial information of the Group

Set out below is the summary of the financial information of the Group for the years ended 31 December 2022 ("**FY2022**") and 2023 ("**FY2023**") extracted from the 2023 Annual Report and the six months ended 30 June 2023 ("**6MFY2023**") and 2024 ("**6MFY2024**") extracted from the 2024 Interim Report:

	FY2022	FY2023	6MFY2023	6MFY2024
	RMB million (audited)	*RMB million (audited)*	*RMB million (unaudited)*	*RMB million (unaudited)*
Revenue	7,720.2	7,969.0	3,984.3	4,165.2
Operating profit	66.5	75.1	25.8	42.6
Net profit attributable to shareholders of parent	38.5	56.4	28.1	29.3

	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
	RMB million (audited)	*RMB million (audited)*	*RMB million (unaudited)*
Non-current assets	1,341.7	1,504.5	1,481.2
Current assets	3,574.0	3,669.9	3,900.8
Total assets	4,915.7	5,174.4	5,382.0
Non-current liabilities	196.5	255.3	222.4
Current liabilities	2,557.3	2,729.5	2,972.2
Total liabilities	2,753.8	2,984.8	3,194.7
Net assets	2,161.9	2,189.6	2,187.3

FY2023 vs FY2022

Revenue of the Group increased by approximately 3.2% from approximately RMB7,720.2 million for FY2022 to approximately RMB7,969.0 million for FY2023, which was mainly attributable to the increase of the sales volume of vehicles of the Group's major customer, Chongqing Changan Automobile Company Limited ("**Changan Automobile**") and its associates and thus their increase in demand for the Group's finished vehicles transportation services and supply chain management services of automobile raw materials and components and parts, partially offset by the decrease in the revenue from non-automobile commodities transportation services. Changan Automobile and its associates contributed approximately 65.1% and 67.5% of the Group's revenue for FY2022 and FY2023, respectively. As at the Latest Practicable Date, China Changan holds approximately 25.44% of the total issued share capital of the Company and 17.97% equity interests in Changan Automobile. In addition, CSGC holds 100% equity interests in China Changan and 14.22% equity interests in Changan Automobile. SIAMC, a wholly-owned subsidiary of CSGC, holds 5.10% equity interests in Changan Automobile.

The Group's cost of operations amounted to approximately RMB7,322.2 million and RMB7,597.7 million for FY2022 and FY2023 respectively. Net profit attributed to the shareholders of parent of the Group increased by approximately 46.7% from approximately RMB38.5 million for FY2022 to approximately RMB56.4 million for FY2023, which was mainly attributable to the increase of the revenue as mentioned above and the decrease in administrative expenses, in particular, employee's salary, partially offset by the increase in research and development expenses.

6MFY2024 vs 6MFY2023

Revenue of the Group increased by approximately 4.5% from approximately RMB3,984.3 million for 6MFY2023 to approximately RMB4,165.2 million for 6MFY2024, which was mainly attributable to the growth of the automobile industry, which have led to an increase of the sales volume of vehicles of Changan Automobile and its associates and thus their increasing demand for the Group's services. Changan Automobile and its associates contributed approximately 62.9% and 63.5% of the Group's revenue for 6MFY2023 and 6MFY2024, respectively.

The Group's cost of operations amounted to approximately RMB3,809.4 million and RMB3,974.3 million for 6MFY2023 and 6MFY2024 respectively. Net profit attributed to the shareholders of the parent of the Group increased by approximately 4.0% from approximately RMB28.1 million for 6MFY2023 to approximately RMB29.3 million for 6MFY2024, which was mainly attributable to the increase of the revenue as mentioned above.

Further, according to the Company's announcement on 26 September 2024 (the "**Disposal Announcement**"), the Company has agreed with a purchaser to dispose of 51% equity interest of a subsidiary (the "**Disposal**"). Pursuant to Rule 10 and Practice Note 2 of the Takeovers Code, the unaudited profit before tax of approximately RMB59.92 million from the Disposal which is expected to have a significant impact on the Group's profit in 2024, as disclosed in the Disposal Announcement, constitutes a profit forecast and would need to be reported on by the financial advisers and auditors or accountants of the Company in accordance with the Takeovers Code, for which the letters are set out in Appendix III and Appendix IV to this Circular. The Group is expected to receive net proceeds from the Disposal (after deducting related fees and expenses) of approximately RMB59.92 million upon completion of the Disposal. As at 30 June 2024, the Group had cash and bank balances of approximately RMB1,222.4 million. As at the Latest Practicable Date, the Management expects that approximately RMB1,000.0 million of cash balance will need to be reserved and set aside to meet short-term financial obligations or settle unexpected expenses of the Group if required. Taking into account the expected business development plan of the

Company as further discussed under section 3 below, we consider that the Share Subscription will enhance the Company's liquidity position to support its long-term development or investment projects. Based on the above, and taking into account the fact that the impact of the gain from the Disposal on the Group's profit is one-off in nature, we are of the view that the Disposal would not have any material implication on the Share Subscription and the Company.

Assets and liabilities

As at 30 June 2024, total assets of the Group was approximately RMB5,382.0 million, of which accounts receivable and fixed assets amounted to approximately RMB1,740.1 million and RMB704.8 million, representing approximately 32.3% and 13.1% of total assets of the Group, respectively. Total liabilities of the Group as at 30 June 2024 was approximately RMB3,194.7 million, of which accounts payable amounted to approximately RMB1,785.5 million or accounting for approximately 55.9% of total liabilities of the Group. The Group's net assets remained relatively stable at approximately RMB2,161.9 million, RMB2,189.6 million and RMB2,187.3 million as at 31 December 2022, 31 December 2023 and 30 June 2024 respectively.

1.3. Outlook of the Group

The Group's business performance is driven by the China's automobile market. Although under the challenges such as intensified competition resulting in the carmakers taking price reduction and the complicated domestic and international economic environment, China's automobile market has demonstrated a growth in the first half of 2024, with the new energy vehicles market continuing to grow rapidly while the traditional fuel vehicles market facing a huge downward pressure. The growth of the industry has also been driven by a series of policies implemented by PRC government, such as providing subsidies for the purchase of new cars to replace old ones, subsidies for the purchase of new energy cars in the rural areas, etc, while the effect of COVID-19 was not the main cause for the industry growth according to the information published by China Association of Automobile Manufacturers[1], which is a social organization founded with the approval of the Ministry of Civil Affairs of the People's Republic of China, consisted of over 3,000 members of enterprises and institutions as well as organizations engaged in production and management of automobiles, auto parts and vehicle-related industries in China. According to the data published by China Association of Automobile Manufacturers, from January to August 2024, the total sales volume of automobiles in China amounted to around 18.8 million, representing a year-on-year growth of around 3%, while the total sales volume of new energy cars in China amounted to around 7.0 million, representing a strong increase of around 31% year-on-year. In addition, the export volume of automobiles in China has reached around 3.8 million from January to August 2024, with a strong year-on-year growth of around 28%, demonstrating a rising competitiveness of Chinese brands in overseas market. The growth of the

[1] Source: http://www.caam.org.cn/chn/4/cate_154/con_5236507.html

automobile industry is conductive to the development of the automobile logistics industry in China.

With reference to the 2024 Interim Report, the Group will focus on ensuring stable growth, while mitigating risk and promoting reforms in the second half of 2024, with the goal to become a first-class green intelligent logistics and supply chain service provider. Taking into account the historical growth in revenue and profit of the Group for recent financial years / periods as discussed in section 1.2 above, and the growth in the PRC automobile industry as discussed above, we expect that the business performance of the Group will remain a steady growth in the near term.

2. Information of SIAMC

SIAMC is a wholly-owned subsidiary of CSGC and is primarily engaged in positioning a platform for industrial investment, asset management, capital operation and financial investment, and has made material investments in respect of special equipment, auto parts, new materials, new energy, optical communications, etc.

CSGC is principally engaged in the investment, operation and management of state-owned assets; research and development and production of weapons and equipment and other relevant services; research and development, manufacturing and sales and integrated services of vehicles, electrical equipment, optoelectronic information and products and their equipment, mechanical equipment, engineering and construction machinery, chemical materials (excluding dangerous chemicals), fire-fighting equipment, medical and environmental protection equipment, metallic and non-metallic materials and their products etc. CSGC's ultimate beneficial owner is the SASAC of the State Council of the PRC.

China Changan is a substantial Shareholder of the Company holding approximately 25.44% of the total issued share capital of the Company as at the Latest Practicable Date and is also a wholly-owned subsidiary of CSGC. As such, the issuance of Domestic Shares to SIAMC demonstrates the support to the Company from the substantial Shareholder and the SASAC of the State Council of the PRC, which will be conducive to boosting the confidence of other Shareholders and potential investors in investing in the Shares.

3. Reasons for and benefits of the Share Subscription

The SASAC of the State Council has proposed to deepen and enhance the reform of state-owned enterprises to improve their development qualities by leveraging the listing platforms more effectively to increase the market recognition and facilitate value realization of the listed enterprises. The Company has not engaged in any equity fundraising activities since 2006. The

Share Subscription enables the Company to leverage the listing platform to conduct equity fundraising for enhancing its liquidity and optimising its capital structure, as well as raising funds for the Company's business development. According to the Management and the Letter from the Board, (i) approximately 40% of the proceeds from the Share Subscription are intended to be invested in the Company's overseas capacity building in countries like Thailand, including the establishment of logistics facilities and logistics center, and the purchase or lease of vehicles and vessels for automotive logistics services use, strengthening the Company's capacities and competitiveness in providing overseas logistics services; and (ii) approximately 60% of the proceeds from the Share Subscription are intended to be invested in warehousing and smart logistics construction, introducing automotive logistics management systems and big data technology to achieve real-time tracking, intelligent scheduling, and data analysis of automotive logistics information, improving logistics efficiency and service quality. According to the Management, majority of the investments for the abovementioned plans of the Company had been identified and the Management expects that the proceeds from the Share Subscription will be deployed in 2025. Taking into account the industry growth of the China's automotive market and the rising competitiveness of Chinese brands in overseas market as discussed under section 1.3 above, we concur with the view of the Directors that the abovementioned plans of deploying the proceeds from the Share Subscription would enhance the Company's competitiveness and service quality in the growing market, thereby enabling the Company to create greater value for its Shareholders. In addition, the issuance of Domestic Shares to SIAMC also demonstrates the support from the substantial Shareholders and the SASAC of the State Council of the PRC to the Company, which will be conducive to boosting the confidence of other Shareholders and potential investors in investing in the Shares.

The Company has considered other fundraising alternatives available to the Group before resolving to the Share Subscription, such as debt financing and other means of equity financing such as rights issue or open offer. The Board considers that debt financing (such as bank borrowings) would incur additional interest expenses. In addition, debt financing generally involves lengthy due diligence and negotiation with the banks and may involve pledge of assets, which potentially impairs the Group's flexibility in managing its assets portfolio. In respect of other means of equity financing such as rights issue and open offer, the Board considers that despite rights issue and open offer would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, the ultimate fundraising size could not be assured if the fundraising exercises are conducted on non-underwritten basis, especially considering that the trading liquidity of the H Shares has been relatively thin as further discussed in section 5.2 below. Conversely, extra time may be required for the negotiation process with potential underwriters if such fundraising exercises are conducted on fully underwritten basis. The Share Subscription, on the other hand, could provide a higher certainty to the Company to raise the required amount of funds. Moreover, conducting rights issue or open offer may also incur additional transaction costs such as underwriting commission and involve extra administrative work for the preparation of the requisite compliance and legal documentation (such as prospectus and application forms, etc.), as compared to Share Subscription.

In view of the foregoing, having considered the overall time and costs required, as well as the uncertainties involved for the debt financing and other means of equity financing (such as rights issue and open offer) as compared to Share Subscription, we are of the view that the Share Subscription is a comparatively more appropriate and commercially favourable financing choice that allows the Company to raise sufficient funds for its business development purpose.

4. Principal terms of the Share Subscription Agreement

The principal terms of the Share Subscription Agreement are set out below:

Date

22 August 2024

Parties

(1) The Company (as the issuer); and

(2) SIAMC (as the Subscriber).

The Subscription Shares

40,000,000 new Domestic Shares will be issued at the Subscription Price per Subscription Share under the Share Subscription, which represent:

(a) approximately 24.68% of the existing issued share capital of the Company as at the Last Trading Day; and

(b) approximately 19.80% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares immediately after Completion of the Share Subscription.

Ranking

The Subscription Shares, when allotted and issued, shall rank pari passu in all respects among themselves and with the existing issued Domestic Shares.

The Subscription Price

The Subscription Price is RMB2.54648 (equivalent to HK$2.78 per Subscription Share) for a total consideration of RMB101,859,200 (equivalent to approximately HK$111,200,000), which will be paid in RMB. The Subscription Price per Subscription Share represents:

(a) a premium of approximately 24.66% to the closing price of HK$2.23 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 47.87% to the closing price of HK$1.88 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement and the date of the Announcement;

(c) a premium of approximately 45.55% to the average closing price of HK$1.91 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Share Subscription Agreement and the Last Trading Day;

(d) a premium of approximately 38.31% to the average closing price of HK$2.01 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to the date of the Share Subscription Agreement and the Last Trading Day;

(e) a premium of approximately 28.70% to the average closing price of HK$2.16 per Share as quoted on the Stock Exchange for the last sixty (60) consecutive trading days immediately prior to the date of the Share Subscription Agreement and the Last Trading Day;

(f) a discount of approximately 79.53% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2023 of approximately HK$13.58 per Share calculated based on the audited consolidated net asset of the Group attributable to the Shareholders of approximately RMB2,016,253,323.93 as at 31 December 2023 as extracted from the 2023 Annual Report and 162,064,000 Shares then in issue (based on the exchange rate of HK$1:RMB0.91600 as at 20 August 2024 published by the China Foreign Exchange Trade System as authorized by The People's Bank of China for illustration purposes); and

(g) a discount of approximately 79.48% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2024 of approximately HK$13.55 per Share calculated based on the unaudited consolidated net asset of the Group attributable to the Shareholders of approximately RMB2,012,039,199.83 as at 30 June 2024 as extracted from 2024 Interim Report and 162,064,000 Shares then in issue (based on the exchange rate of HK$1:RMB0.91600 as at 20 August 2024 published by the China Foreign Exchange Trade System as authorized by The People's Bank of China for illustration purposes).

The total Subscription Price for the Subscription Shares shall be paid by SIAMC to the Company within 7 Business Days from the date on which the conditions precedent have been fulfilled and the payment instruction has been issued to SIAMC by the Company. SIAMC will pay the total Subscription Price of the Subscription Shares in RMB and the exchange rate will be calculated based on the central parity of HK$1:RMB0.91600 as at 20 August 2024 published by the China Foreign Exchange Trade System as authorized by The People's Bank of China.

Pricing

The Subscription Price was determined after arm's length negotiations between the Company and SIAMC with reference to (i) the recent and historical market prices of the Shares; (ii) the trading liquidity of the Shares; (iii) market comparable analysis; and (iv) the amount of funds that the Company intends to raise under the Share Subscription.

If any further ex-dividend or ex-rights events such as dividend distribution, bonus shares distribution, conversion of capital reserve into share capital or allotment of shares (subject to the actual ex-dividend and ex-dividend dates, excluding the dividend resolved at the 2023 annual general meeting of the Company convened on 28 June 2024, which has been distributed before the EGM) between the date of signing of the Share Subscription Agreement and the date when the new Domestic Shares are registered with China Securities Depository and Clearing Corporation Limited or its branches, the Subscription Price per Subscription Share will be adjusted accordingly in the following manner:

(1) When cash dividends are paid, adjust according to the following formula: $P1=P0-D$

(2) When bonus shares or capital reserve converted into share capital occur, adjust according to the following formula: $P1=P0/(1+E)$

(3) When cash dividends are paid together with bonus shares or capital reserve converted into share capital occur, adjust according to the following formula: $P1=(P0-D)/(1+E)$

where:

P0 is the issue price per Subscription Share before adjustment

P1 is the issue price per Subscription Share after adjustment

D is cash dividend per Share

E is the number of bonus shares per Share or the number of shares converted from capital reserve

Conditions precedent

Completion of the Share Subscription is conditional upon the fulfilment or, where applicable, the grant of waiver of the following conditions:

(a) the valid approval of this transaction and Share Subscription Agreement by the decision-making body of SIAMC;

(b) the valid approval of this transaction and Share Subscription Agreement by the Board and the general meeting of the Company (i.e. the Share Subscription was approved by more than 50% of the votes by the Independent Shareholders at the EGM pursuant to the Takeovers Code);

(c) the approval of this transaction by the State-owned Assets Supervision and Administration Department or its authorised body;

(d) the obtaining of the Whitewash Waiver granted by the Executive of the SFC of Hong Kong to SIAMC in respect of this transaction;

(e) the Whitewash Waiver was approved by at least 75% of the votes cast in favour by the Independent Shareholders at the EGM of the Company;

(f) this transaction was registered by China Securities Regulatory Commission; and

(g) the obtaining of other approvals, ratifications and filings from the competent regulatory authorities which may be involved in respect of this transaction.

In respect of item (g), as far as the Company is aware, save for the approval of the Stock Exchange is required for the circular in relation to the Share Subscription, no other approvals, ratifications and filings will be required.

None of the conditions can be waived under the Share Subscription Agreement. As at the Latest Practicable Date, except from item (b), (d),(e) and (f), all of the above conditions has been fulfilled.

Completion of the Share Subscription

After SIAMC pays the Company the total Subscription Price for the Subscription Shares, the Company shall appoint a Chinese Certified Public Accountant to verify the aforementioned payment of the Subscriber and issue a capital verification report. Within ten (10) Business Days after the issuance of the capital verification report, the Company shall submit a written application for registration of SIAMC as the holder of newly issued Domestic Shares to China Securities Depository and Clearing Corporation Limited or its branches. SIAMC may exercise its rights as a Shareholder of newly issued Domestic Shares only after the completion of the aforementioned registration.

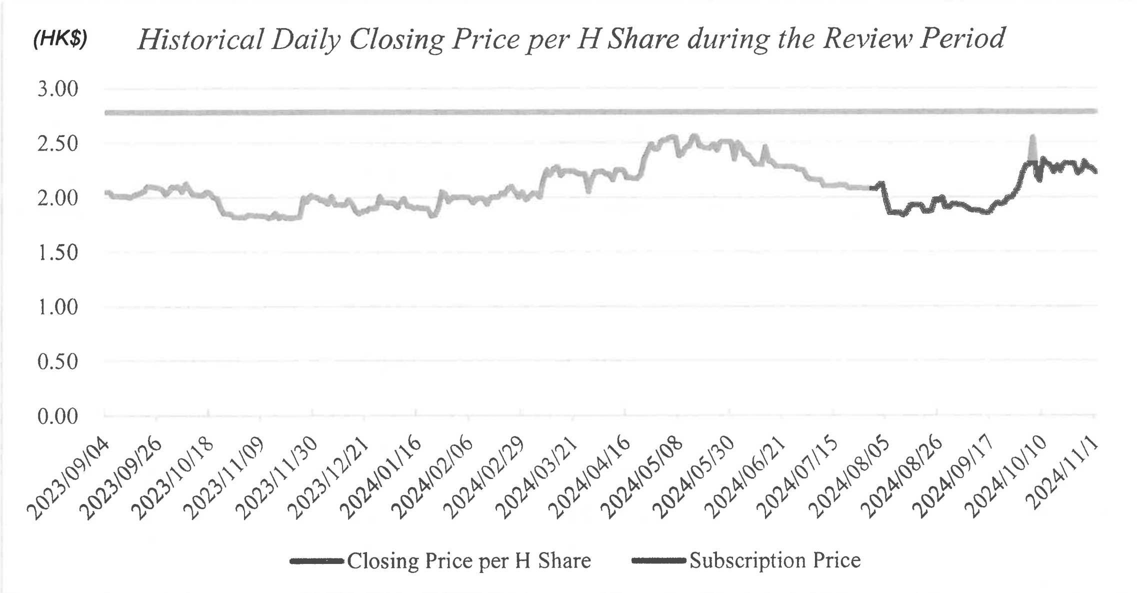
Specific Mandate

The 40,000,000 Subscription Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM and the Class Meetings.

5. Analysis of the Subscription Price

5.1. Analysis of historical price performance of H Shares

For assessing the fairness and reasonableness of the Subscription Price, set out below is a chart showing the daily closing prices of the H Shares as quoted on the Stock Exchange during the period from 1 September 2023 to the Latest Practicable Date (the "**Review Period**"). We consider that the duration of the Review Period of approximately one year would be sufficient and representative to provide a general overview of the recent market performance of the H Shares and market sentiment for conducting a reasonable comparison between the closing prices of the H Shares and the Subscription Price.



Source: the website of the Stock Exchange

As illustrated in the chart above, the closing price of H Shares were below the Subscription Price at all times during the Review Period. The Subscription Price of HK$2.78 represents a premium of approximately 32.9% over the average closing price of H Shares during the Review Period of approximately HK$2.08. The closing prices of H Shares fluctuated between HK$1.81 and HK$2.56 during the Review Period. In particular, it was noted that the H Shares exhibited an upward trend from January 2024 to May 2024, and subsequently a downward trend, which was generally in line with the trend of overall stock market in Hong Kong as indicated by the Hang Seng Index.

5.2. Trading volume analysis

The table below sets out the monthly statistics of the average daily trading volume of the H Shares for each month and the respective percentages to the total number of issued H Shares held by the public Shareholders during the Review Period:

	Total trading volume of H Shares	Number of trading days	Average daily trading volume of H Shares	Percentage of average daily trading volume of H Shares over total number of issued H Shares held by the public Shareholders
	(Shares)	*(days)*	*(Shares)*	
2023			*(Note 1)*	*(Note 2)*
September	538,000	19	28,316	0.05%
October	1,255,000	20	62,750	0.11%
November	1,200,000	22	54,545	0.10%
December	749,000	19	39,421	0.07%
2024				
January	572,000	22	26,000	0.05%
February	457,000	19	24,053	0.04%
March	1,460,000	20	73,000	0.13%
April	3,080,000	20	154,000	0.27%
May	1,005,000	21	47,857	0.09%
June	826,000	19	43,474	0.08%
July	383,000	22	17,409	0.03%
August	2,501,000	22	113,682	0.20%
September	902,000	19	47,474	0.08%
October and November (up to the Latest Practicable Date)	1,818,000	22	82,636	0.15%

Source: the website of the Stock Exchange

Notes:

1. *Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.*

2. *The calculation is based on the average daily trading volume of H Shares for the month/period divided by the total number of H Shares in issue held by the public Shareholders at the Latest Practicable Date.*

As illustrated in the above table, the average daily trading volume of H Shares during the Review Period was low, ranging from approximately 0.03% to approximately 0.27% of the total number of issued H Shares held by the public Shareholders as at the Latest Practicable Date. Having considered the prevailing condition of the Hong Kong stock market and the overall thin trading liquidity of the H Shares, it may be difficult for the Company to conduct other equity financing alternatives (such as rights issue or open offer) as compared to the Share Subscription.

5.3. Analysis of discount represented by the Subscription Price to the net asset value ("NAV") per Share attributable to the Shareholders

The Subscription Price of HK$2.78 per Share represents a discount of (i) approximately 79.53% to the audited consolidated NAV per Share attributable to the Shareholders of approximately HK$13.58 per Share as at 31 December 2023; and (ii) approximately 79.48% to the unaudited consolidated NAV attributable to the Shareholders of approximately HK$13.55 per Share as at 30 June 2024. In assessing the Subscription Price compared against the NAV, set out below is a table illustrating the historical Share prices against the published NAV for the Review Period up to the Last Trading Day:

From	To	NAV per Share *(Note 1)*	Average closing Share price	Highest closing Share price	Lowest closing Share price	Approximate discount of average closing Share price to NAV per Share	Approximate discount of highest closing Share price to NAV per Share	Approximate discount of lowest closing Share price to NAV per Share
		(HK$)	*(HK$)*	*(HK$)*	*(HK$)*			
1 September 2023	27 March 2024	13.59	1.986	2.280	1.810	(85.39)%	(83.23)%	(86.68)%
(i.e. the period immediately before and up to the date when the annual results announcement of the Company for FY2023 was published)								
28 March 2024	21 August 2024	13.58	2.237	2.560	1.840	(83.53)%	(81.15)%	(86.45)%
(i.e. the period up to the Last Trading Day)								

Source: the website of the Stock Exchange (www.hkex.com.hk)

Note 1: The latest published audited or unaudited consolidated NAV per Share attributable to the Shareholders for respectively period.

With reference to the table above, we noted that the Shares had been traded at a substantial discount to the NAV at all times during the Review Period up to the Last Trading Day ranging from approximately 81.15% to 86.68%, which was steeper as compared with the discount to NAV represented by the Subscription Price. This may indicate that investors might not have valued the Shares based solely on the value of the Group's net assets. Accordingly, in assessing the Subscription Price, it would only be appropriate to consider the discount represented by the Subscription Price to the NAV per Share, in conjunction with other factors including but not limited to the financial performance and business prospects of the Company and more particularly, the comparison of the Subscription Price to the historical and prevailing Share prices, which are more relevant from the perspective of Shareholders in considering the fair value of the Shares.

5.4. Comparable issues precedents

In order to assess the fairness and reasonableness of the Subscription Price, we have also carried out an analysis on comparable issuance of domestic shares (excluding any issuance in relation to capital reorganisation or restructuring of listed issuers) by listed issuers on the Stock Exchange (the "**Comparable Issues**") announced since 1 September 2021 and up to the Latest Practicable Date. We consider that such review period which covers approximately three years and the sample size identified under such basis to be appropriate and sufficient for analysis of the pricing of recent issues of domestic shares by listed issuers in Hong Kong. Given that A shares and H shares are all listed and traded on stock exchanges, investors may have different consideration in assessing the value of shares as compared with domestic shares, we consider that it is more appropriate to select only the issuance of domestic shares for our comparable analysis. Based on the said criteria, we have identified an exhaustive list of 11 Comparable Issues.

It should be noted that the listed issuers involved in the Comparable Issues may have different principal activities, market capitalisations, financial performance and financial positions as compared to those of the Company. As such, the analysis should not be considered on an isolated basis but should be taken into account in totality with other factors. Nevertheless, we are of the view that the Comparable Issues would be able to provide us with a fair and representative reference of the recent market practice of issuing domestic shares by issuers listed on the Stock Exchange. Set out below is the comparison between the Share Subscription and the Comparable Issues in terms of (i) premium or discount of the subscription price over or to the respective closing share price of the issuers on the date of the share subscription agreement, the average closing share price of the issuers for the last five and 30 consecutive trading days immediately prior to the date of the share subscription agreement, and NAV per share of the issuers; and (ii) maximum dilution effect to the existing public shareholders of H shares of the issuers.

		Premium/ (Discount) of the subscription price over/to the closing price / average closing price per share on/over				
Date of announcement	**Company name (Stock code)**	**The date of the agreement**	**Last 5 consecutive trading days immediately prior to the date of the agreement**	**Last 30 consecutive trading days immediately prior to the date of the agreement**	**Premium/ (Discount) of the subscription price over/to the NAV per share** *(Note 1)*	**Maximum dilution effect to the existing public shareholders of H shares**
8 December 2021	Guangzhou Rural Commercial Bank Co., Ltd. (1551.HK)	139.53%	143.25%	141.11%	(13.63)%	2.46%
21 June 2022	Tianjin TEDA Biomedical Engineering Company Limited (8189.HK)	(16.67)%	(6.25)%	6.28%	130.54%	38.15%

28 December 2022	Harbin Electric Company Limited (1133.HK)	11.00%	14.72%	13.98%	(56.99)%	9.73%
4 April 2023	Chongqing Hongjiu Fruit Co., Limited (6689)	(29.28)%	(32.03)%	(36.15)%	360.84%	1.02%
9 May 2023	AviChina Industry & Technology Company Limited (2357.HK)	0.93%	0.00%	3.61%	6.30%	1.13%
16 June 2023	Bank of Jiujiang Co., Ltd. (6190.HK)	5.27%	3.14%	2.71%	(40.91)%	2.49%
29 December 2023	Guangzhou Rural Commercial Bank Co., Ltd. (1551.HK)	7.73%	7.73%	17.25%	(68.02)%	3.73%
19 January 2024	Zhejiang Leapmotor Technology Co., Ltd. (9863.HK)	69.77%	59.45%	28.43%	753.96%	N/A *(Note 2)*
8 May 2024	Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (6990.HK)	(6.83)%	(10.19)%	(1.72)%	1,179.07%	0.64%
12 May 2024	Lianhua Supermarket Holdings Co., Ltd. (980.HK)	249.37% *(Note 3)*	273.05% *(Note 3)*	396.77% *(Note 3)*	1,452.80% *(Note 3)*	8.10%
9 October 2024	Zhejiang Leapmotor Technology Co., Ltd. (9863.HK)	29.11%	16.34%	57.89%	479.06%	2.54%
	Maximum	139.53%	143.25%	141.11%	1,179.07%	38.15%
	Minimum	(29.28)%	(32.03)%	(36.15)%	(68.02)%	0.64%
	Average	21.06%	19.62%	23.34%	273.02%	7.00%
	Median	6.50%	5.44%	10.13%	68.42%	2.52%
	The Share Subscription	47.87%	45.55%	38.31%	(79.48)%	6.87%

Source: website of the Stock Exchange

Notes:

1. *Based on the latest published net asset value of the issuers as at the date of the announcement of the issuance of domestic shares.*

2. *The dilution effect for the domestic share issuance was not disclosed.*

3. *We consider these figures are outliers which have been excluded in our analysis given that they are exceptionally higher than other Comparable Issues, which was possibly due to the relevant closing share prices of Lianhua Supermarket Holdings Co., Ltd. upon or prior to the date of share subscription agreement were substantially below the par value, while the Company Law of the PRC requires that the subscription price shall not be lower than the par value.*

As shown above, the premium of the Subscription Price over (i) the closing Share price on the date of the Share Subscription Agreement; (ii) the average closing Share price for the last five consecutive trading days immediately prior to the date of the Share Subscription Agreement; and (iii) the average closing Share price for the last 30 consecutive trading days immediately prior to the date of the Share Subscription Agreement, are all higher than the average and median of the Comparable Issues. Despite the discount to NAV represented by the Share Subscription is larger than the Comparable Issues, as discussed under section 5.3 above, we consider that the discount represented by the Subscription Price to the NAV per Share is less relevant from the perspective of Shareholders in considering the fair value of the Shares. Therefore, the above results indicate that the Subscription Price is favourable from the perspective of the comparable issues analysis. Moreover, it was also noted that in terms of the maximum dilution effect to the existing public shareholders of H shares, the Share Subscription is within the range and slightly below the average of the Comparable Issues, which indicates that the dilution effect of the Share Subscription is fair and reasonable.

5.5. Comparable companies analysis

To supplement our assessment on the fairness and reasonableness of the Subscription Price, we have also conducted an analysis on the trading multiples of the comparable companies (the "**Comparable Companies**") listed on the Stock Exchange. In this connection, we have considered price-to-earnings ("**P/E**") and price-to-book ("**P/B**") ratios, which are commonly adopted benchmarks in assessing the valuation of a company.

In this connection, having considered the principal business of the Group, the geographical region operated by the Group, we have identified an exhaustive list of six Comparable Companies, which are fair and representative, based on the selection criteria including (i) companies being listed on the Main Board of the Stock Exchange; (ii) companies with principal business of providing logistics services in the PRC; and (iii) companies with market capitalization of not more than HK$900 million as at the Latest Practicable Date having taken into account the implied market capitalization of the Company of approximately HK$451 million being around the middle of the range. While the Comparable Companies may not be principally providing logistics services for particularly automobiles or related goods like the Group does, we believe the Comparable Companies selected are appropriate to serve as a benchmark reference for our comparable analysis purpose, which reflected the prevailing market sentiment towards the same business sector in the same geographical location.

Independent Shareholders should note that despite the aforesaid criteria, the business, scale of operation, trading prospect, location of business and capital structure of the Company are not exactly the same as those of the comparable companies, and we have not conducted any in-depth investigation into the businesses and operations of the comparable companies.

Company name (Stock code)	Principal businesses	Market capitalisation	P/E ratio	P/B ratio
		(Note 1)	*(Note 1)*	*(Note 1)*
		HK$' million	*times*	*times*
Chu Kong Shipping Enterprises Group Co Ltd (560.HK)	Principally engaged in cargo transportation business	852	7.5	0.2
YTO International Express & Supply Chain Technology Ltd (6123.HK)	Principally engaged in the provision of freight forwarding services	563	5.8	0.4
Yues International Holdings Group Ltd (1529.HK)	Principally engaged in the provision of logistics services	82	N/A *(Note 2)*	0.5
Gogox Holdings Ltd (2246.HK)	Principally engaged in the provision of logistics and delivery solution services	352	N/A *(Note 2)*	0.8
Xiangxing International Holding Ltd (1732.HK)	Principally engaged in the provision of intra-port services, logistics services and supply chain operations	116	8.3	0.5
Ever Harvest Group Holdings Ltd (1549.HK)	Principally engaged in the provision of sea freight services	164	319.7 *(Note 3)*	0.8
		Maximum	8.3	0.8
		Minimum	5.8	0.2
		Average	7.2	0.5
		Median	7.5	0.5
The Company		451 *(Note 4)*	7.3 *(Note 5)*	0.2 *(Note 6)*

Source: Bloomberg, website of the Stock Exchange

Notes:

1. The market capitalization of the Comparable Companies are based on information extracted from Bloomberg as at the Latest Practicable Date. The P/E ratios of the Comparable Companies are based on the market capitalization as at the Latest Practicable Date and the profit attributable to shareholders for the latest financial year reported in the respective companies' annual reports. The P/B ratios of the Comparable Companies are based on the market capitalization as at the Latest Practicable Date and the net asset value attributable to shareholders as at the latest financial period end reported in the respective companies' financial reports or results.

2. The P/E ratio is not applicable as the subject company recorded net loss in its latest financial year.

3. We consider this figure is outlier which had been excluded in our analysis given that it is exceptionally higher than other Comparable Companies that would distort the results of our analysis.

4. The implied market capitalization of the Company is calculated by multiplying the Subscription Price of HK$2.78 per Share and the number of total issued Shares of 162,064,000 Shares as at the Latest Practicable Date.

5. The implied P/E ratio of the Company is calculated based on the implied market capitalization and the profit attributable to Shareholders of the Company for the year ended 31 December 2023.

6. The implied P/B ratio of the Company is calculated based on the implied market capitalization and the net assets attributable to Shareholders as at 30 June 2024.

As shown in the above table, the implied P/E ratio of the Company of approximately 7.3 times is close to the average and median P/E ratios of the Comparable Companies of approximately 7.2 and 7.5 times respectively, while the implied P/B ratio of the Company of approximately 0.2 times is at the lower end of the range of 0.2 times to 0.8 times of the Comparable Companies.

5.6. Section summary

Having considering the above, in particular, (i) the Subscription Price is higher than the closing prices of the H Shares on all trading days throughout the Review Period, and represents a premium of approximately 32.9% over the average closing prices during the Review Period; (ii) the trading liquidity of H Shares was thin during the Review Period; (iii) notwithstanding that the Subscription Price represents a discount to the NAV per Share attributable to the Shareholders, the Shares had been consistently traded at a steeper discount to the NAV during the Review Period up to the Last Trading Day, and (iv) the implied P/E ratio of the Company based on the Subscription Price is close to the average and median of the Comparable Companies, despite the implied P/B ratio of the Company is at the lower end of the range of the Comparable Companies, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

6. Financial effects of the Share Subscription on the Group

According to the 2024 Interim Report, the Group had cash and bank balances of approximately RMB1,222.4 million and net assets attributable to parents of the Group of approximately RMB2,012.0 million as at 30 June 2024. Based on the amount of maximum net proceeds from the Share Subscription, the cash position and net assets of the Group will increase by approximately RMB101.9 million. In light of the financial effects of the Share Subscription on the working capital and net asset value of the Group, and considering that based on our discussions with the Management, we understand the Management expects that approximately RMB1,000.0 million of the cash balances will need to be reserved and set aside to meet short-term financial obligations or settle unexpected expenses of the Group if required as at the Latest Practicable Date which was determined based on their past experience and existing financial conditions of the Group, among others, we are of the view that the Share Subscription would have positive impact of the Group's financial position, in particular, enhancing the Company's liquidity position to support its long-term development or investment projects as discussed under section 3 above. In respect of the cash reserve amount above, we have also reviewed the Group's latest management accounts as at 30 September 2024, and we noted that the unaudited current liabilities of the Group amounted to approximately RMB2,500.0 million as at 30 September 2024, exceeding the required cash reserve amount estimated by the Management, which supports such estimation.

Independent Shareholders are reminded that the above analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group would be upon completion of the Share Subscription.

7. Potential dilution effect of the Share Subscription

As illustrated under the section headed "4. Effects on Shareholding Structure of the Company" of the Letter from the Board, the shareholding interests of the existing public Shareholders of H Shares would be diluted by approximately 6.87 percentage points from approximately 34.69% to 27.82% upon Completion. Having considered (i) the reasons and benefits to the Group for the Share Subscription as set out in the section 3 above, in particular, (a) enabling the Company to leverage the listing platform to conduct equity fundraising; (b) demonstrating the support from the substantial Shareholders and the SASAC of the State Council of the PRC to the Company which will be conducive to boosting the confidence of other Shareholders and potential investors in investing in the Shares; (c) the use of proceeds plan of the Company; and (d) other financing options being less appropriate and commercially favourable; (ii) the terms of the Share Subscription Agreement (including the Subscription Price) being fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the dilution effect of the Share Subscription is fair and reasonable from the perspective of Comparable Issues analysis, we are of the opinion that the potential dilution effect on the shareholding interests of the existing public Shareholders of H Shares is acceptable.

8. The Whitewash Waiver

As at the Latest Practicable Date, SIAMC does not hold any Shares of the Company whereas the party acting in concert with it, China Changan, holds 41,225,600 Shares in the Company, representing approximately 25.44% of the issued share capital of the Company. Upon Completion of the Share Subscription and assuming there is no other change in the issued share capital of the Company prior to the Completion, the shareholding of SIAMC, its associates and the party acting in concert with it will increase to approximately 40.20% of the issued share capital of the Company.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares under the Share Subscription Agreement to SIAMC will give rise to an obligation on the part of SIAMC to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by SIAMC, its associates and the party acting in concert with it), unless the Whitewash Waiver is granted by the Executive.

SIAMC has submitted an application to the Executive (on behalf of itself and the party acting in concert with it) for the Whitewash Waiver to waive the compliance with the obligation to make a mandatory general offer in respect of all Shares and other securities of the Company (other than those already owned or agreed to be acquired by SIAMC and the party acting in concert with it) (as defined in Note 4 to Rule 22 of the Takeovers Code) under Rule 26.1 of the Takeovers Code as a result of the allotment and issuance of the Subscription Shares to SIAMC. For this purpose, SIAMC has applied to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. According to requirements of the Takeovers Code, the Whitewash Waiver, if granted, will be subject to, among others, the approval by more than 50% of the votes cast in favour by the Independent Shareholders by way of poll in respect of the Share Subscription and at least 75% of the votes cast in favour by the Independent Shareholders by way of poll in respect of the Whitewash Waiver, respectively, at the EGM

Given the reasons and benefits to the Group for the Share Subscription and the terms of the Share Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval for the Whitewash Waiver, which is a prerequisite of the Share Subscription, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Share Subscription.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the terms and conditions of the Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate) are fair and reasonable, on normal commercial terms, and although the Share Subscription is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, as well as the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings to approve (i) the Share Subscription (including the Share Subscription Agreement and transactions contemplated thereunder, and the Specific Mandate); and (ii) the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Quam Capital Limited

Leo Chan
Head of Corporate finance

Mr. Leo Chan is the Head of Corporate Finance of Quam Capital Limited and is licensed under the SFO as a Responsible Officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Chan has approximately 28 years of experience in corporate finance.