



Knight Frank Petty Limited  
4/F, Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong

KF ref: GV/CF/NW/BN/ck/19932(122)A

26 May 2022

The Board of Director  
China Automobile New Retail (Holdings) Limited  
Workshop 06-07, 36th Floor,  
King Palace Plaza,  
No. 52A Sha Tsui Road,  
Tsuen Wan,  
New Territories,  
Hong Kong

Dear Sirs,

**Valuation of 100% Equity Value (the "Equity Value") in Mega Convention Group Limited and its Subsidiaries as well as Robust Cooperation Limited and its Subsidiaries.**

**Instructions**

In accordance with the instructions from China Automobile New Retail (Holdings) Limited (hereinafter referred to as the "**Company**"), together with its subsidiaries, hereinafter together referred to as the "**Group**"), we have undertaken a valuation assignment to express an independent opinion on the market value of 100% Equity Value (the "**Equity Value**") in Mega Convention Group Limited and its subsidiaries as well as Robust Cooperation Limited and its subsidiaries (the "**Target Group**") as at 28 February 2022 (the "**Valuation Date**") for the purpose of incorporation in the Company's circular. Our valuation work was performed subject to the assumptions and limiting conditions described in this report. Our valuation is prepared in unbiased and professional manner. We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.

This report outlines the purpose of valuation, premise of value and sources of information; identifies the business appraised; describes the valuation methodology, assumptions and limiting conditions; and presents our investigation, analysis and our opinion of value.

**Purpose of Valuation**

The purpose of this valuation is to express an independent opinion on the market value of the Equity Value of the Target Group as at the Valuation Date. It is our understanding that this valuation will be used by the directors and management of the Company for transaction and public documentation purpose in relation to the Equity Value of the Target Group.

We understand that our valuation report may be included in the Company's public document and disclosed to other parties including its directors, shareholders, auditors and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Nonetheless, we will not be liable to any parties other than the addressee of the valuation report.

Knight Frank assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

## Premise of Value

Our valuation has been prepared in accordance with the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum and the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council, where applicable.

Our valuation is conducted on a market value basis. Market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

## Overview of the Target Group

Mega Convention Group Limited ("**Mega Convention**") established in the British Virgin Islands on 22 November 2011 (Company No.: 1682083) and the registered address is Palm Grove House, P.O. Box 438 Road Town, Tortola, British Virgin Islands. The Company is an investment holding company and wholly owns World Vast International Enterprise Limited ("**World Vast**"). World Vast is also an investment holding company and wholly owns Tianjin Calistar Automall Operation Management Co., Ltd. ("**Tianjin Calistar**"), a PRC company which is principally engaged in the provision of trading and sales of imported cars and providing related services, and the provision of agency services of trading of cars.

Robust Cooperation Limited ("**Robust Cooperation**") established in the British Virgin Islands is an investment holding company and wholly owns Prosper Ocean International Enterprise Limited ("**Prosper Ocean**"). Prosper Ocean is also an investment holding company and wholly owns Tianjin Prominent Hero International Logistics Co., Ltd ("**Tianjin Prominent Hero**"). Tianjin Prominent Hero is an investment holding company which wholly owns Tianjin Binhai International Auto Mall Co., Ltd ("**Tianjin Binhai International**") and provides ancillary services related to parallel imported car trading platform. Tianjin Binhai International commenced its business in December 2002, in Tianjin Free Trade Zone and is principally engaged in the operation of parallel imported car trading platform.

## Scope of Services

This engagement involved an analysis of the Target Group as at the Valuation Date. In undertaking this valuation assignment, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the management of the Company and/or the Target Group or their representatives (hereinafter referred to as the "**Management**"):

- Conducted meeting(s) and/or discussion with the Management;
- Obtained the relevant financial and operational information related to the Target Group and its business;
- Performed market research and obtained statistical data from public sources;
- Examined all relevant bases and assumptions of both the financial and operational information related to the subject matter, which were provided by the Management;
- Conducted valuation of the subject matter using the respective standards of value that are most appropriate;
- Documented the result of our findings in this valuation report.

## Sources of Information

In conducting our valuation of the Equity Value, we have considered, reviewed and relied upon the following key information provided by the Management and the public.

- Background information of the Target Group and relevant corporate information;

- Historical financial information of the Target Group;
- Background information of the property held by the Target Group;
- Consolidated management account of the Target Group for the period ended 28 February 2022; and
- S&P Capital IQ database and other reliable sources of market data.

We have held discussion with the Management and conducted research from public sources to assess the reasonableness and fairness of the information provided. We have no reason to doubt the truth and accuracy of the information provided to us by the Management, and we have relied to a considerable extent on the information provided in arriving at our opinion of value.

### **Valuation Methodology**

There are three generally accepted approaches to assess the market value of the Equity Value, namely, Market Approach, Asset-based Approach and Income Approach. Each of these approaches is appropriate in one or more circumstances.

#### Market Approach

Market Approach values an asset based on comparison with recent sales of similar assets from market transactions, with adjustments made to the indicated market prices to reflect condition and utility of the appraised asset relative to the market comparables. Although this approach is widely used, the main difficulty with this approach lies with the lack of financial information and full details regarding sales of similar assets.

The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently. The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

#### Asset-based Approach

The Asset-based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity. The Asset-based Approach is best used when a business is non-operating or has been generating losses, and the company's focus is on holding investments or real estate.

#### Income Approach

Income Approach values an asset with reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the asset.

The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the assets life. This approach estimates the future economic benefits and discounts these benefits to its present value using an appropriate discount rate for all risks associated with realizing those benefits.

### **Selection of Valuation Methodology**

Among the three approaches, we considered that Asset-based approach was more appropriate for valuing the Target Group, given that the Target Group has been generating losses and the property is the major component on the balance sheet of the Target Group.

While useful for certain purposes, the Market Approach was not adopted in this case because the Target Group had operating loss-making, there were no earnings multiples which can be applied in the valuation analysis. The Income Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. Pursuant to the negative gross profit and net profit of the Target Group as of the Valuation Date as shown from the financial statements, the assumptions in relation to the financial and cash flow projection of the Target Group under Income Approach are not easily justified and not appropriate to be adopted.

It has assumed that the market value of the Target Group will be equal to the sum of each of the components of assets and liabilities are individually valued, their sum represents the value of the Target Group. Since Income Approach and Market Approach are both considered not appropriate, while the current value of the Target Group is considered to be best represented by the net asset value of the Target Group, Asset-based Approach is adopted in this valuation.

### **Valuation Assumptions and Rationale**

For the purpose of determining the market value of the Equity Value, we have considered all the prominent factors affecting the value and assumed, including but not limited to, the following:

- We have assumed that there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;
- We have assumed that the conditions in which the business is operated, and which are material to revenue and costs of businesses will have no material change;
- We have assumed that the information has been prepared on a reasonable basis after due and careful consideration by the Management;
- We have assumed that competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Target Group;
- We have assumed that all licenses and permits that is essential for the operation of the Target Group can be obtained and are renewable upon expiry; and
- We have assumed that there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

### **Asset-based Approach**

The Asset-based Approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Valuation Date and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the market value of the business or its assets. In this valuation, the adjusted net asset value method is adopted.

Details of the statement of financial position of the Target Group as at the Valuation Date is as follows:

<b>Assets/Liabilities</b>	<b>Book Value (RMB'000)</b>	<b>Market Value (RMB'000)</b>
<b>Current Assets</b>		
Cash and Bank	428	428
Accounts Receivables	113	113
Prepayment	31	31
Amounts due from Group	403,819	403,819
Other Receivables	326,936	326,936
<b>Non-Current Assets</b>		
Investment Property <sup>3</sup>	1,166,052	1,166,052
Fixed Assets <sup>3</sup>	98,600	98,600
<b>Current Liabilities</b>		
Short-term loans	(1,491,062)	(1,491,062)
Other loans	(7,832)	(7,832)
Accounts Payables	(27)	(27)
Receipt in Advance	(25,020)	(25,020)
Income Tax Payables	(21,824)	(21,824)
Other Payables	(1,032,400)	(1,032,400)
Promissory Note	(316,097)	(316,097)
<b>Non-Current Liabilities</b>		
Deferred Tax Liability	(273,256)	(273,256)
<b>Net Asset Value ("NAV")</b>		<b>(1,171,539)</b>
<b>Market Value of 100% Equity Value in the Target Group</b>		<b>Nil</b>

Remarks:

1. Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).
2. Unless otherwise stated, the above figures are approximations subject to rounding.
3. The aggregate market value of the properties held by the Target Group has been assessed at RMB1,242,000,000 as of 28 February 2022, which is shown and reflected in the Property Valuation Report attached as Appendix IIB. According to the accounting treatment of the Group, the aggregate market value of the properties has been sub-divided and allocated to "Investment Property" and "Fixed Assets" under the Statement of Financial Position of the Target Group. The "Fixed Assets" of RMB98,600,000 comprises the non-leased properties of RMB75,948,000 and other fixed assets and adjustments of RMB22,652,000.

### **Limitations on Liability**

This report is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Knight Frank. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect

consequential losses or loss of profits as a result of this report.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered. No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof. No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers.

### **Conclusion of Value**

In our opinion, on the basis of the assumptions and information made available to us, the 100% Equity Value in Mega Convention Group Limited and its Subsidiaries as well as Robust Cooperation Limited and its Subsidiaries as of 28 February 2022 is reasonably estimated at Nil.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgment in arriving at the appraisal, you are advised to consider with caution the nature of such assumptions, which are disclosed in this report and to exercise caution when interpreting this report.

Our opinion of the market value of the Equity Value in this report is valid only for the stated purposes and only for the effective date of the appraisal. No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Yours faithfully,  
For and on behalf of  
**Knight Frank Petty Limited**

  
**Cyrus Fong**  
*FRICS FHKIS MCIREA RPS(GP) RICS Registered Valuer*  
Senior Director, Valuation & Advisory

  
**Natalie Wong**  
*MRICS MHKIS RPS(GP) RICS Registered Valuer*  
Senior Director, Valuation & Advisory

*Note:* Ms. Natalie Wong is a Chartered Surveyor who has over 16 years of experience in market research, property valuation and consultancy services in the PRC, Hong Kong, Macau and Asia Pacific region.

Mr. Cyrus Fong is a Chartered Surveyor who has over 16 years of experience in market research, property valuation and consultancy services in the PRC, Hong Kong, Macau and Asia Pacific region.