

6 May 2024

To: *The independent board committee and the independent shareholders of BAIC Motor Corporation Limited\**

Dear Sir/ Madam,

**CONNECTED TRANSACTION  
IN RELATION TO  
ENTRY OF THE ENTRUSTMENT AGREEMENT WITH BAIC GROUP**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Entrustment, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 6 May 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 15 March 2024, the Company and BAIC Group entered into the Entrustment Agreement, pursuant to which BAIC Group will entrust the Company to exercise the voting rights, right of proposal and submitting proposals, right to call and attend meetings, right of raising enquiries and suggestions and other rights but excluding disposal rights and rights to income/loss attached to all A shares of BAIC BluePark directly held by BAIC Group (including A shares of BAIC BluePark directly held by BAIC Group as of the date of the Entrustment Agreement and any additional A shares of BAIC BluePark that BAIC Group may acquire and directly hold during the duration of the Entrustment) on an irrevocable, exclusive, and sole basis for the duration of the Entrustment, without the need to seek the opinion of BAIC Group in advance or to obtain its consent. No consideration is payable by either party under the Entrustment Agreement.

With reference to the Board Letter, the Entrustment constitutes a connected transaction of the Company and is therefore subject to reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun, Mr. Edmund Sit and Mr. Ji Xuehong (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Entrustment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Entrustment is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Entrustment at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

## INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of (i) major and continuing connected transactions of the Company, details of which were set out in the Company's circular dated 27 May 2022; (ii) a discloseable and connected transaction of the Company, details of which are set out in the Company's circular dated 8 August 2022; and (iii) major and continuing connected transactions of the Company, details of which were set out in the Company's circular dated 24 May 2023. Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date. Notwithstanding the aforesaid engagements, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

## BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the management of the Company (the "Management"). We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Management, which have been provided to us. Our opinion is based on the Management's representation and confirmation that there is no undisclosed private agreement/arrangement

or implied understanding with anyone concerning the Entrustment. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, BAIC Group, BAIC BluePark, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Entrustment. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

### **1. Background of and reasons for the Entrustment**

#### ***Business overview of the Group***

With reference to the Board Letter, the Company was established in September 2010, and its H shares were listed on the Main Board of the Hong Kong Stock Exchange in December 2014. As at the Latest Practicable Date, approximately 46.37% of the equity interest in the Company is directly owned by BAIC Group, which is the controlling shareholder of the Company and ultimately owned by Beijing SASAC. The Company's

brands cover joint venture premium passenger vehicles, joint venture premium multi-purpose passenger vehicles, joint venture mid- to high-end passenger vehicles, proprietary brand passenger vehicles and other vehicles, which can maximally satisfy various customers' demands.

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2023 as extracted from the Company's annual report for the year ended 31 December 2023 (the "2023 Annual Report"):

	For the year ended 31 December 2023 RMB'000	For the year ended 31 December 2022 RMB'000	Change from 2022 to 2023 %
Revenue	197,949,177	190,462,586	3.93
– Oil-powered vehicles	182,697,179	182,499,415	0.11
– New energy vehicles	15,251,998	7,963,171	91.53
Gross profit	40,070,462	42,334,207	(5.35)
Profit for the year	13,626,309	16,335,302	(16.58)

As illustrated in the above table, the Group's revenue for the year ended 31 December 2023 ("FY2023") increased by approximately 3.93% as compared to that for the year ended 31 December 2022 ("FY2022"). With reference to the 2023 Annual Report, the aforesaid increase in the Group's revenue was mainly attributable to increase in revenue from new energy vehicles led by sales volume increase.

Despite the aforesaid increase in the Group's revenue, the Group's gross profit and profit for FY2023 decreased by approximately 5.35% and approximately 16.58% as compared to those for FY2022 respectively. With reference to the 2023 Annual Report and as confirmed by the Management, the aforesaid decrease in the Group's gross profit was mainly attributable to changes in vehicle model structure, as partially offset by improvement of profitability per new energy vehicle due to sales volume increase. With reference to the 2023 Annual Report, the aforesaid decrease in the Group's profit was mainly attributable to decrease in the Group's gross profit.

With reference to 2023 Annual Report and as confirmed by the Management, in 2024, the ongoing promotion of the PRC national policies to boost consumption and stabilize growth, along with implementation of a series of initiatives aimed at promoting high-quality development of the new energy automobile industry (such as continuation of vehicle purchase tax exemption policy and extensive promotion of new energy vehicles and infrastructure construction in rural areas), will further stimulate market vitality and consumption potential. The Management expects the aforesaid will lead to further release of demand in the new energy vehicle market.

### Information on BAIC Group

With reference to the Board Letter, BAIC Group is the sole controlling shareholder of the Company, being a state-owned enterprise wholly owned by Beijing State-owned Capital Operation and Management Company Limited\* (北京國有資本運營管理有限公司), and holds approximately 46.37% of equity interest in the Company as at the Latest Practicable Date. BAIC Group is one of the main automobile manufacturing groups in China. It has now developed into a comprehensive and modern automobile conglomerate with diversified business portfolio and integrating vehicle research and development and manufacturing, parts and components manufacturing, automobile service trade, education and investment and financing business, as well as incubation of new industries.

With reference to the Board Letter, BAIC Group has been strategically developing new energy vehicles, with a focus on new energy and intelligent networking. BAIC BluePark has established and formed a system of research, production, sales and service of the whole value chain in pure electric passenger vehicles. The Group and BAIC BluePark are both competitive market players in the new energy vehicle sector. Through the Entrustment, the Company will become the controlling shareholder of BAIC BluePark (as defined under the Listing Rules) and will allow both the Group and BAIC Group to enjoy development returns in new energy vehicle fields resulting from the development of the BAIC BluePark Group.

### Information on BAIC BluePark

With reference to the Board Letter, BAIC BluePark, whose A shares are listed on the Main Board of the Shanghai Stock Exchange, is a subsidiary of BAIC Group. The major businesses of BAIC BluePark include research and development, design and sales of automobiles, auto parts, mechanical equipment, electrical equipment and parts processing equipment; automobile decoration; technical development, service and consultation, and transfer of technology; advertising design, production, agency and publication; economic and trade consultation; property management; import and export of goods and technology, and agency service for import and export.

With reference to the Board Letter, BAIC BluePark has established competitive strength in core battery, electric motor and electric control technologies and smart network technology of pure electric vehicles and others, and has established and formed a system of research, production, sales and service of the whole value chain in pure electric passenger vehicles.

As at the Latest Practicable Date, the Company, BAIC Guangzhou, BAIC Group and Bohai Automotive directly hold 612,528,276, 268,054,522, 1,276,341,932 and 180,470,507 A shares of BAIC BluePark, accounting for approximately 10.99%, 4.81%, 22.90% and 3.24% of the total issued A shares of BAIC BluePark, respectively.

Set out below is a summary of the consolidated financial information of BAIC BluePark Group for the three years ended 31 December 2023 and the three months ended 31 March 2024 as extracted from the Board Letter:

	For the year ended 31 December 2021 (audited) RMB' million	For the year ended 31 December 2022 (audited) RMB' million	Change from 2021 to 2022 %	For the year ended 31 December 2023 (audited) RMB' million	Change from 2022 to 2023 %	For the three months ended 31 March 2024 (unaudited) RMB' million
Profit/(loss) before taxation and extraordinary items	(5,179.87)	(5,424.58)	4.72	(5,348.76)	(1.40)	(999.54)
Profit/(loss) after taxation and extraordinary items	(5,476.58)	(5,775.70)	5.46	(5,996.01)	3.81	(1,022.92)

With reference to the Board Letter, the unaudited book value of owner's equity attributable to the parent company of BAIC BluePark was approximately RMB5,268.04 million as at 31 March 2024.

#### Principal terms of the Entrustment

Principal terms of the Entrustment as set out under the Entrustment Agreement are summarized as follows:

- Date:** 15 March 2024
- Parties:** (1) BAIC Group; and  
(2) the Company

**Subject matter:** BAIC Group will entrust the Company to exercise the voting rights, right of proposal and submitting proposals, right to call and attend meetings, right of raising enquiries and suggestions and other rights but excluding disposal rights and rights to income/loss attached to all A shares of BAIC BluePark directly held by BAIC Group (including A shares of BAIC BluePark directly held by BAIC Group as of the date of the Entrustment Agreement, being 1,276,341,932 A shares of BAIC BluePark and representing approximately 22.90% of the total issued A shares of BAIC BluePark, and any additional A shares of BAIC BluePark that BAIC Group may acquire and directly hold during the duration of the Entrustment) on an irrevocable, exclusive, and sole basis for the duration of the Entrustment, without the need to seek the opinion of BAIC Group in advance or to obtain its consent. There is no discretion or power granted to BAIC Group under the Entrustment Agreement which allows BAIC Group to exercise its right as a shareholder of BAIC BluePark (other than disposal rights and rights to income/loss attached to all A shares of BAIC BluePark directly held by BAIC Group) upon its request.

**Consideration:** No consideration is payable by either party under the Entrustment Agreement.

**Term of the Entrustment:** The Entrustment Agreement shall take effect upon the satisfaction of the following events:

- (1) the Company having obtained clearance from the Hong Kong Stock Exchange with respect to the circular for the Entrustment to be sent to the Shareholders;
- (2) the Shareholders (which in this case are the Independent Shareholders) having approved the Entrustment by way of general meeting (which in this case would be the EGM to be convened); and
- (3) the competent state-owned assets supervision and management authorities or organizations authorised by them having approved the Entrustment.

The term of the Entrustment Agreement is indefinite unless as terminated in accordance with the Entrustment Agreement. Without the prior written consent of the Company, BAIC Group may not revoke the Entrustment (except where a termination event under the Entrustment Agreement has occurred), nor may it entrust the Rights of the Entrusted Shares, whether separately or in whole, to any third party for exercise.

- Scope of the Entrustment:** BAIC Group shall entrust the Company as the sole and exclusive agent to exercise the Rights of the Entrusted Shares in accordance with the relevant laws and regulations and the then-effective articles of association of BAIC BluePark, without the need to seek BAIC Group's opinion in advance or obtain BAIC Group's consent. The Company will independently decide at its discretion when exercising the following shareholder rights attached to the Entrusted Shares (i.e., the Rights):
- (1) legally requesting, convening, presiding over, attending and appointing a proxy to attend the general meetings of BAIC BluePark;
  - (2) exercising shareholders' right of proposal and submitting to BAIC BluePark's shareholder proposals or proposals including but not limited to nomination, recommendation, election or dismissal of directors (candidates) and supervisors (candidates), etc.;
  - (3) exercising the voting rights over all matters to be discussed and approved at the general meeting of shareholders in accordance with relevant laws, regulations and normative documents or the articles of association of BAIC BluePark, as well as signing all the relevant documents;
  - (4) raising enquiries and suggestions in connection with the management and operation of BAIC BluePark; and
  - (5) exercising other rights relating to shareholders of BAIC BluePark as stipulated by the laws and regulations and the articles of association of BAIC BluePark, other than disposal rights and rights to income/losses (i.e., the profits and losses from the Entrusted Shares will continue to be attributable to BAIC Group).
- Exercise of the Rights attached to the Entrusted Shares:** If required by the laws and regulations and/or the competent authorities or deemed necessary by the Company to exercise the Rights, BAIC Group shall unconditionally give proxy or sign relevant legal documents and provide other assistance of similar nature within a time specified in the written notice of the Company.
- Termination of the Entrustment:** The Entrustment Agreement shall be terminated upon the occurrence of any of the following events:
- (1) the Company and BAIC Group mutually agreeing to terminate the Entrustment Agreement;



- (2) BAIC Group giving a written notice of termination to the Company where a court of competent authority has ruled that the Company has committed a fundamental breach of the Entrustment Agreement; or
- (3) either the Company or BAIC Group giving a written notice of termination to the other party where (i) there is a force majeure event continuing for more than 30 days which entirely impairs the abilities of the Company or BAIC Group to perform their respective obligations under the Entrustment Agreement; or (ii) there being objective factors occurring which cause the inability to exercise the Entrustment Agreement.

### **Reasons for and benefits of the Entrustment**

With reference to the Board Letter, driven by economic transformation and upgrading, consumer demand, carbon peak, carbon neutral targets and technology iteration, and other factors, the global production and sales of new energy vehicles have been growing rapidly in recent years, and the plans for expansion of the domestic new energy passenger vehicle sector has at this stage become the consensus and strategic direction for automobile enterprises. After years of development, BAIC BluePark has established competitive strength in core battery, electric motor and electric control technologies and smart network technology of pure electric vehicles and others, and has established and formed a system of research, production, sales and service of the whole value chain in pure electric passenger vehicles. As whole automobile companies, the Group and BAIC BluePark have a foundation of co-operation in the whole industrial chain for new energy vehicles. Through the Entrustment, the Group has the practical ability to direct the development strategies, business policies, major investments and other aspects of BAIC BluePark in accordance with the applicable laws, and hence BAIC BluePark will be under the scope of the management of the Company, which will help the Company to plan its new energy vehicle sector, share the development returns and create competitive advantage at a more reasonable cost, benefiting from synergistic effects.

Moreover, upon completion of the Entrustment, BAIC BluePark will become a subsidiary of the Company, and the product brands, vehicle line-up, and production and sales scale of the Group will be further expanded and strengthened.

Additionally, the synergistic effects conducive to the Entrustment, including but not limited to reasonable allocation of key resources, will also help to improve comprehensive utilisation rate of resources and enhance the overall industry competitiveness and supply chain resource acquisition capabilities of both companies.

## Our analysis

### *Industry overview*

We searched on Wind Financial Terminal (according to the website of Wind Financial Terminal, Wind Information Co., Ltd. (“Wind”, the developer of Wind Financial Terminal) is a leading provider of financial information services in the PRC, and an indispensable partner for lots of securities companies, fund management corporations, insurance companies, banks, investment firms, and media. Globally, Wind is also widely used by qualified foreign institutional investors (QFII approved by China Securities Regulatory Commission) for statistics regarding the passenger vehicles (including new energy passenger vehicles) in the PRC. We consider Wind Financial Terminal to be a reputable source of reference for the purpose of our research. Set out below are the sales volume of passenger vehicles (including new energy passenger vehicles) and new energy passenger vehicles in the PRC during the five years ended 31 December 2023 (being the latest available five full years):

	2019	2020	2021	2022	2023
Sales volume of passenger vehicles in the PRC	21,444,180	20,177,731	21,481,537	23,563,287	26,062,824
Sales volume of new energy passenger vehicles in the PRC	1,060,303	1,246,289	3,334,170	6,548,482	9,047,861

As shown in the above table, sales volume of passenger vehicles in the PRC decreased in 2020 and increased in 2021, 2022 and 2023. Sales volume of passenger vehicles in the PRC increased from approximately 21.44 million units for 2019 to approximately 26.06 million units for 2023, representing a compound annual growth rate of approximately 5.00%. Sales volume of new energy passenger vehicles in the PRC continuously increased from approximately 1.06 million units for 2019 to approximately 9.05 million units for 2023, representing a compound annual growth rate of approximately 70.91%. Proportion of sales volume of new energy passenger vehicles in the PRC to sales volume of passenger vehicles in the PRC increased from approximately 4.94% for 2019 to approximately 34.72% for 2023.

We also noted that the PRC government issued various favourable government policies for new energy vehicles to support its development in recent years, such as:

- (i) 《關於調整免徵車輛購置稅新能源汽車產品技術要求的公告》(Announcement on Adjusting the Technical Requirements for Vehicle Purchase Tax Exemption in respect of New Energy Vehicle Products\*) published on 30 April 2021 ([https://www.gov.cn/zhengce/zhengceku/2021-05/15/content\\_5640040.htm](https://www.gov.cn/zhengce/zhengceku/2021-05/15/content_5640040.htm)), which set out the arrangements for exemption of vehicle purchase tax for new energy vehicles;
- (ii) 《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》(Measures for Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises\*) published on 15 June 2020 ([https://www.gov.cn/zhengce/zhengceku/2020-06/22/content\\_5521144.htm](https://www.gov.cn/zhengce/zhengceku/2020-06/22/content_5521144.htm)), which set out the parallel credits policy on vehicle manufacturers and importers arrangement (including that each vehicle manufacturer and vehicle importer over a specific scale is required to, among other things, maintain its new energy vehicle credits and corporate average fuel consumption credit above zero); and
- (iii) 《關於進一步提升電動汽車充電基礎設施服務保障能力的實施意見》(Implementation Opinions on Further Improving the Guaranteed Service Capability of Electric Vehicle Charging Infrastructure\*) published on 10 January 2022 (<https://zfxxgk.ndrc.gov.cn/web/iteminfo.jsp?id=18631>), which set out guidance for the development of electric vehicle charging infrastructure, such as ensuring availability of electric vehicle charging infrastructure or reserving spaces for the installation of electric vehicle charging infrastructure in all parking spaces of newly developed residential community, accelerating formation of a phased coverage plan for the expressway fast-charging network in various provinces, clarifying construction standard and specification of expressway fast-charging stations and including fast-charging stations into the scope of supportive infrastructure of expressway's service area.

In addition, in October 2020, the State Council of the PRC published the 《新能源汽車產業發展規劃(2021-2035)》(New Energy Vehicle Industry Development Plan (2021-2035,)\*) ([https://www.gov.cn/zhengce/content/2020-11/02/content\\_5556716.htm](https://www.gov.cn/zhengce/content/2020-11/02/content_5556716.htm)), stipulating that the development of new energy vehicle is a must for the PRC to transform to a powerful automobile country. The State Council of the PRC has set the target to raise the penetration rate of new energy vehicles to 20% of the PRC passenger vehicle market by 2025, and battery electric vehicle is expected to become the mainstream new energy vehicle type among the new vehicles sold.

The above statistics and policies indicated the development trend and growth potential of new energy passenger vehicles industry in the PRC.

*The Group's development strategy in new energy business*

With reference to the 2023 Annual Report:

- (i) The Group's revenue from sales of new energy vehicles increased by approximately 91.53% from FY2022 to FY2023.

- (ii) The Group's revenue from sales of new energy vehicles represented approximately 7.71% of the Group's total revenue for FY2023 (FY2022: approximately 4.18%).
- (iii) The Group achieved sales of 102,000 new energy vehicles for FY2023, represented a year-on-year increase of approximately 46.6%.
- (iv) In 2023, the Group strengthened strategic cooperation in the realm of new energy transformation by increasing its equity interest in BAIC BluePark as part of its ongoing expansion in the new energy business.

As aforementioned, upon completion of the Entrustment, BAIC BluePark will become a subsidiary of the Company, and the product brands, vehicle line-up, and production and sales scale of the Group will be further expanded and strengthened. Additionally, the synergistic effects conducive to the Entrustment will also help to enhance the overall industry competitiveness and supply chain resource acquisition capabilities of both companies.

Having considered the above and increasing importance of new energy vehicles sales to the Group, we are of the view that the Entrustment aligns with the Group's development strategy.

*Co-operation and synergy between the Group and BAIC BluePark Group*

With reference to BAIC BluePark's annual report for FY2023 and as advised by the Management, the Group and BAIC BluePark Group have co-operation on (i) vehicles research and development; (ii) products production, sales and after-sale services; and (iii) materials purchase.

As aforementioned, through the Entrustment, the Group has the practical ability to direct the development strategies, business policies, major investments and other aspects of BAIC BluePark in accordance with the applicable laws, and hence BAIC BluePark will be under the scope of the management of the Company, which will help the Company to plan its new energy vehicle sector. We consider that the Entrustment will facilitate the Group's implementation of its development plan in relation to BAIC BluePark Group and strengthen the co-operation between the Group and BAIC BluePark Group. In addition, the synergistic effects conducive to the Entrustment, including but not limited to reasonable allocation of key resources, will also help to improve comprehensive utilisation rate of resources and enhance the overall industry competitiveness and supply chain resource acquisition capabilities of the Group and BAIC BluePark Group.

*Nil consideration*

As aforementioned, no consideration is payable by either party under the Entrustment Agreement. The strengthened co-operation and enhanced synergy between Group and BAIC BluePark Group through the Entrustment are expected to benefit the Group and facilitate development of the Group's new energy vehicle sector and BAIC BluePark Group's business.

As aforementioned, there is increasing importance of new energy vehicles sales to the Group and the Entrustment aligns with the Group's development strategy. Should the continuous development of the Group's new energy vehicle sector and BAIC BluePark Group's business achieve positive results, the Group will be further benefited from the same.

#### *Conclusion*

Having considered the above factors, in particular:

- (i) the development trend and growth potential of new energy passenger vehicles industry in the PRC;
- (ii) the Entrustment aligns with the Group's development strategy;
- (iii) the Entrustment will facilitate the Group's implementation of its development plan in relation to BAIC BluePark Group and strengthen the co-operation between the Group and BAIC BluePark Group;
- (iv) no consideration is payable by either party under the Entrustment Agreement;
- (v) the strengthened co-operation and enhanced synergy between Group and BAIC BluePark Group through the Entrustment are expected to benefit the Group and facilitate development of the Group's new energy vehicle sector and BAIC BluePark Group's business; and
- (vi) should the continuous development of the Group's new energy vehicle sector and BAIC BluePark Group's business achieve positive results, the Group will be further benefited from the same,

we are of the view that (a) although the Entrustment is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and its Shareholders as a whole; and (b) the terms of the Entrustment are fair and reasonable.

#### **Possible financial effects of the Entrustment**

With reference to the Board Letter, as a result of the Entrustment, members of the BAIC BluePark Group will become subsidiaries of the Company and their assets, liabilities and financial results (except profits and losses attributable to the Entrusted Shares will not be accounted for in the profit attributable to equity holders of the Company under its consolidated financial statements as BAIC Group will retain the rights to income/loss attached to the Entrusted Shares) will be consolidated into the consolidated financial statements of the Company. The profits and losses attributable to the Entrusted Shares will be accounted for as non-controlling interest in the consolidated financial statements of the Company.

## RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Entrustment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Entrustment is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Entrustment and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**



**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

\* *for identification purpose only*