光大證券 | 國際
EVERBRIGHT SECURITIES | INTERNATIONAL

30 September 2025

To: The independent board committee and the independent shareholders of BAIC Motor Corporation Ltd.

Dear Sir/ Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS (A) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP; AND (B) ENTRY OF FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH BAIC GROUP

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal (a) purchase of products transactions (the "**Purchase Transactions (Products)**") and purchase of services transactions (the "**Purchase Transactions (Services)**", together with the Purchase Transactions (Products), the "**Purchase Transactions**") under the Products and Services Purchasing Framework Agreement; and (b) sale of products transactions (the "**Sale Transactions**") under the Provision of Products and Services Framework Agreement; (c) the Trademark Licensing Framework Agreement and the transactions contemplated thereunder (the "**Licensing Transactions**"); and (d) deposit & other financial services (the "**Deposit & Other Financial Services**", together with the Purchase Transaction and the Sale Transaction, the "**CCTs**") under the Financial Services Framework Agreement, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 30 September 2025 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 26 August 2025:

(a) The Company and BAIC Group entered into (i) the Products and Services Purchasing Framework Agreement; (ii) the Provision of Products and Services Framework Agreement; and (iii) Trademark Licensing Framework Agreement for a further term of three years from 1 January 2026 to 31 December 2028 and set new annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2028.

(b) The Company and BAIC Group entered into the Financial Services Framework Agreement, pursuant to which BAIC Group has agreed to provide financial services to the Group through its relevant subsidiaries with the corresponding financial business qualifications. The Financial Services Framework Agreement will be effective from 1 January 2026 to 31 December 2028.

With reference to the Board Letter, the CCTs constitute non-exempted continuing connected transactions of the Company and shall be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Deposit Services under Financial Services Framework Agreement also constitute major transaction of the Company.

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 CCTs are on normal commercial terms and are fair and reasonable; (ii) whether the CCTs are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the CCTs at the EGM. We, Everbright Capital, 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, there was no service provided by Everbright Capital to the Company. We were not aware of any relationship or interest between Everbright 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 Everbright 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 CCTs. 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, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the CCTs. 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 Everbright 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 CCTs, we have taken into consideration the following principal factors and reasons:

Information on 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. 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.

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2024 as extracted from the Company's annual report for the year ended 31 December 2024 (the "**2024 Annual Report**"):

	For the year ended 31 December 2024	**For the year ended 31 December 2023**	**Change from 2023 to 2024**
	RMB'000	*RMB'000*	%
Revenue	192,495,606	197,949,177	(2.76)
Gross profit	30,887,049	38,298,560	(19.35)
Profit for the year	9,832,859	13,626,309	(27.84)

	As at 31 December 2024	**As at 31 December 2023**	**Change from 2023 to 2024**
	RMB'000	*RMB'000*	%
Cash and cash equivalents	33,598,355	31,124,229	7.95

As illustrated in the above table, the Group's revenue and gross profit for year ended 31 December 2024 ("**FY2024**") decreased by approximately 2.76% and approximately 19.35% respectively as compared to those for the year ended 31 December 2023 ("**FY2023**"). With reference to the 2024 Annual Report, the aforesaid decrease in revenue was mainly attributable to the decrease in sales volume of new energy vehicles ("**NEV**"), which was partially offset by the increase in sales volume of fuel vehicle. Revenue relating to fuel vehicles increased due to increase in sales volume and changes in vehicle model mix, while NEV decreased due to the decrease in sales volume. Further, the aforesaid decrease in gross profit was mainly due to the decrease in sales volume and the increase in promotional activities. As advised by the Management, the aforesaid decrease in revenue and gross profit is mainly due to (i) decrease in overall sales volume of Beijing Benz brand, although the impact of which was partially offset by increase in sales proportion of relatively higher-priced models; and (ii) increase in the gross loss of Beijing Brand.

With reference to the 2024 Annual Report, the Group will focus on the goal of advancement and improvement, implement the operational philosophy of "survival, reform and development", further deepen reform and be dedicated to innovation.

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 46.90% 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 a 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.

A. CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP

(1) PURCHASE TRANSACTIONS AND SALE TRANSACTIONS

Reasons for and benefit of the Purchase Transactions and the Sale Transactions

With reference to the Board Letter, in the ordinary and usual course of business, the Group purchases products and services from BAIC Group and/or its associates. The Company has been using the products and services provided by BAIC Group and/or its associates for several years. BAIC Group has been providing the Group with a long-term stable supply. As a result, BAIC Group and its associates understand the Group's business and operational requirements well. It is crucial to maintain a stable and quality supply of products and general services for the Company's existing and future production and operation. With reference to the previous purchasing experience with BAIC Group and its associates, BAIC Group can efficiently fulfil the Company's requirements with stable and quality supply of products and general services.

We also understood from the Management that the Sale Transactions allow the Group to have a stable source of revenue.

Details of reasons and benefits for the Purchase Transactions and the Sale Transactions are set out under the sub-section headed "Reasons and benefits" under the sections headed "Renewal of the Products and Services Purchasing Framework Agreement" and "Renewal of the Provision of Products and Services Framework Agreement" of the Board Letter.

As confirmed by the Management, as the Purchase Transactions and the Sale Transactions are conducted in the ordinary and usual course of business of the Group and on a frequent and regular basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. Accordingly, the Management is of the view that the Purchase Transactions and the Sale Transactions will be beneficial to the Company and the Shareholders as a whole. We noted from the Products and Services Purchasing Framework Agreement and the Provision of Products and Services Framework Agreement that the scope of products and services contemplated thereunder are related to the Group's principal activities.

Having considered the above factors, we are of the view that the Purchase Transactions and Sale Transactions are conducted in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

Principal terms of the Purchase Transactions and Sale Transactions

Set out below are the key terms of Products and Services Purchasing Framework Agreement and Provision of Products and Services Framework Agreement. Details of terms of agreement are set out under the sections headed "Renewal of the Products and Services Purchasing Framework Agreement" and "Renewal of the Provision of Products and Services Framework Agreement" of the Board Letter.

	Products and Services Purchasing Framework Agreement	**Provision of Products and Services Framework Agreement**
Date:	26 August 2025	26 August 2025
Parties:	(i) BAIC Group	(i) BAIC Group
	(ii) the Company	(ii) the Company
Term of the agreement:	From 1 January 2026 to 31 December 2028	From 1 January 2026 to 31 December 2028

	Products and Services Purchasing Framework Agreement	Provision of Products and Services Framework Agreement
Principal terms:	BAIC Group and/or its subsidiaries will provide several types of products and services to the Group. These products will include equipment, raw materials, components and vehicles and related technologies, related derivatives derived from these products (including but not limited to energy credits, carbon emissions policy trading), while these services will include labor services, logistics services, transportation services, technical services and consultancy services.	BAIC Group and/or its subsidiaries will purchase products (including equipment, raw materials, parts and components and complete vehicles etc., relevant technologies, and derivatives derived from such products including but not limited to energy credits and carbon emissions policy trading) and services (including sales agency, processing agency, labour, logistics, transportation, technical services and consultancy) from the Group.
	Members of the Group on the one hand and BAIC Group and/or its subsidiaries on the other hand will enter into specific agreements for each of the specific transactions contemplate under the renewed Products and Services Purchasing Framework Agreement, provided that such specific agreements shall follow the principles as set out in the renewed Products and Services Purchasing Framework Agreement.	Members of the Group on the one hand and BAIC Group and/or its subsidiaries on the other hand will enter into specific agreements for each of the specific transactions contemplated under the renewed Provision of Products and Services Framework Agreement, provided that such specific agreements shall follow the principles as set out in the renewed Provision of Products and Services Framework Agreement.
	The product prices and service fees shall be paid in accordance with the specific agreements to be signed by members of the Group and BAIC Group and/or its subsidiaries under the renewed Products and Services Purchasing Framework Agreement.	The product prices and service fees shall be paid in accordance with the specific agreements to be signed by members of the Group and BAIC Group and/or its subsidiaries under the renewed Provision of Products and Services Framework Agreement.

Pricing policy and internal control measures

Details of the pricing policy of the Purchase Transactions and Sale Transactions are set out under the sub-section headed "Pricing Policy" under the respective section headed "Renewal of the Products and Services Purchasing Framework Agreement" and "Renewal of the Products and Services Purchasing Framework Agreement" of the Board Letter.

For our due diligence purpose, we obtained a list of members of the Group which conducted Purchase Transactions (Products) and Purchase Transactions (Services) with members of BAIC Group for each of the three years ended 31 December 2024. We randomly selected three members of the Group from the list and obtained three sets of signed contracts (with relevant supporting documents) for each of the Purchase Transactions (Products) and the Purchase Transactions (Services) between the Group and members of BAIC Group. Based on the aforesaid signed contracts and supporting documents as provided by the Group, we noted that:

(i) for Purchase Transactions that were conducted with tender process, before signing the individual contracts, the Group conducted tender processes with three bidders or all the qualified suppliers if quotations of such suppliers were less than or most favour among the three, and selected supplier based on a combination of factors such as expertise, quality, compatibility and price; and

(ii) For Purchase Transactions that were conducted without tender process, as confirmed by the Company, the primary occurrences are in the upgrades of existing automobile parts, and the Company had considered the overall requirements of the products and compared the prices and product specifications with at least three similar products provided by other suppliers, which the prices offered by member of BAIC Group to the Group was not higher than those offered by independent third parties. We have further understood from the Company that the suppliers were selected to supply the existing automobile parts via tender process as referred to above.

For our due diligence purpose, we obtained a list of members of the Group which entered into Sale Transactions with members of BAIC Group for each of the three years ended 31 December 2024. We randomly selected one members of the Group from the list and obtained three sets of orders and invoices from the Company in each year, showing selling prices of vehicles by the Group to (i) members of BAIC Group; and (ii) independent third parties. We noted from the orders and invoices that same selling prices applied to both the connected person and the independent third parties for the same type of vehicles.

With reference to the 2024 Annual Report, the independent non-executive Directors of the Company reviewed, amongst others, the Purchase Transactions and Sale Transactions for FY2024 and confirmed that, they have been entered into: in the ordinary and usual course of the Group's business; on normal commercial or better terms; with the terms no less favourable to the Company than those offered to or by (as the case may be) independent third parties, if those available for comparison are insufficient to determine whether the terms of such transaction is normal commercial terms; and in accordance with relevant agreements whose conditions are fair and reasonable and in the interest of the Shareholders of the Company as a whole.

With reference to the 2024 Annual Report, the Company engaged its auditor to report on the Group's continuing connected transactions in accordance with HKSAE 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accounts. Based on the auditor's work, the Company's auditor provided the Board with a letter confirming that, with respect to, amongst others, the Purchase Transactions and Sale Transactions for FY2024: (1) nothing has come to the auditor's attention that causes it to believe that the Purchase Transactions and Sale Transactions have not been approved by the Board; (2) nothing has come to our auditor's attention that causes it to believe that the Purchase Transactions and Sale Transactions were not, in all material respects, in accordance with the pricing policies of the Group; (3) nothing has come to our auditor's attention that causes it to believe that the Purchase Transactions and Sale Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; (4) with respect to the aggregate amount for each of the Purchase Transactions and Sale Transactions, nothing has come to the auditor's attention that causes it to believe that the amount of the Purchase Transactions and Sale Transactions has exceeded the annual cap as set by the Company.

The Group adopted a series of internal control measures to ensure the Purchase Transactions and Sale Transactions are conducted in a fair and reasonable manner. Details of the internal control measures are set out under the section headed "Internal Control and Corporate Governance Measures" of the Board Letter.

Taking into account the aforesaid and that (i) various departments of the Company, including the finance department, procurement department, legal department and other relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under the agreements for the Purchase Transactions and Sale Transactions, in particular, the fairness of the pricing terms under such agreement; (ii) the Company established a stringent market price inquiry system; and (iii) the proposed price will be reviewed to ensure that it is in line with the pricing terms of the relevant agreement and that the terms provided to the Company are no less favourable than those offered by the supplier to independent third parties, we consider that the effective implementation of the internal control mechanism would help to ensure fair pricing of the Purchase Transactions and Sale Transactions.

Proposed annual caps

Set out below are the historical transaction amounts in respect of (a) the Purchase Transactions (Products); (b) the Purchase Transactions (Services); and (c) the Sale Transactions, for the three years ended/ending 31 December 2024 with relevant annual caps:

	2023			2024			2025		
	Historical transaction amounts *RMB' million*	**Historical annual caps** *RMB' million*	**Utilisation rates** %	**Historical transaction amounts** *RMB' million*	**Historical annual caps** *RMB' million*	**Utilisation rates** %	**Historical transaction amounts (Note)** *RMB' million*	**Historical annual caps** *RMB' million*	**Utilisation rates** %
Purchase Transactions (Products)	33,255.1	38,209.4	87.0	32,571.7	49,511.1	65.8	15,892.4	56,883.5	27.9
Purchase Transactions (Services)	4,648.5	6,037.4	77.0	4,944.6	5,797.6	85.3	1,058.7	5,746.3	18.4
Sale Transactions	23,895.2	33,849.7	70.6	20,876.0	48,097.3	43.4	9,185.7	46,060.2	19.9

Note: the figures are for the six months ended 30 June 2025.

As at the Latest Practicable Date, the historical annual caps for the year ending 31 December 2025 have not been exceeded.

Set out below are the proposed annual caps in respect of (a) the Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, for the three years ending 31 December 2028:

	For the year ending 31 December 2026 *RMB' million*	**For the year ending 31 December 2027** *RMB' million*	**For the year ending 31 December 2028** *RMB' million*
Purchase Transactions (Products)	52,633	65,089	69,846
Purchase Transactions (Services)	7,635	9,513	10,506
Sale Transactions	33,552	41,453	44,439

The basis for determining proposed annual caps of (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, for the three years ending 31 December 2028 are set out under the sections headed "Renewal of the Products and Services Purchasing Framework Agreement" and "Renewal of the Provision of Products and Services Framework Agreement" of the Board Letter.

According to the above tables:

(a) the utilisation rates of the previous annual caps for Purchase Transactions (Products) were approximately 87.0% and 65.8% for the two years ended 31 December 2023 and 2024, respectively.;

(b) the utilisation rates of the previous annual caps for Purchase Transactions (Services) were approximately 77.0% and 85.3% for the two years ended 31 December 2023 and 2024, respectively and

(c) the utilisation rates of the previous annual caps for Sale Transactions were approximately 70.6% and 43.4% for the two years ended 31 December 2023 and 2024.

As advised by the Management, the historical annual caps for the Purchase Transactions (Products) and the Sale Transactions were high in 2023. For the Purchase Transactions, for the year ending 31 December 2024 and for six months ended 30 June 2025, there was a decrease in the amount of products purchased and services due to the competition in passenger vehicle industry having intensified, resulting in the drop in the sales of Beijing Benz and Beijing brands, and thereby leading to the decrease in the products and services required to be purchased from the BAIC Group. The Group's vehicle sales volume of Beijing Benz has slightly declined approximately 4.7% in FY2024 compared to that in FY2023. On the other hand, the utilization rates for Purchase Transactions (Services) remained high in FY2023 and FY2024 as the increase of sales volume of Beijing Brand generally offset the decrease in sales volume of Beijing Benz. In respect of the historical cap for the Sales Transaction for the year ending 31 December 2024, there was a decrease in the amount of products sold and a lower utilisation rate due to the competition in passenger vehicle industry having intensified, resulting in the the sales of Beijing Benz and Beijing brands not having met expectations, and thereby leading to the overall scale in the sale of car products having decreased.

It is noted that the current utilisation of the annual cap for Purchase Transaction (Products), Purchase Transactions (Services) and Sale Transactions for the year ending 31 December 2025, is at 27.9%, 18.4% and 19.9%, up till six months ended 30 June 2025, respectively, which is linked with the number of vehicles sold. As discussed with the management, we noted that they consider the sale volume of the Group in the second half year of 2025 will rebound. Such is based on that historical sales volume of the Group, especially Beijing Brand, normally performed better in the second half year, and newly launched models are expected to further stimulate the sales volume in the second half of FY2025.

The Company provided us calculation for the proposed annual caps (the "**S&P Calculation**") for (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, for the three years ending 31 December 2028. We noted from the S&P Calculation that the proposed annual caps were formulated based on (i) estimated demand of products/services, which are directly linked to estimated demand for the Group's passenger vehicles under each of the Beijing Benz and the Beijing Brand, for each of the three years ending 31 December 2028; and (ii) a buffer of 20% on estimated demand of products/services for each of the three years ending 31 December 2028.

Buffer

We noted from the S&P Calculation that a moderate buffer of 20% was applied on the estimated purchase transaction caps, sale transaction caps and trade mark licensing fees for each of the three years ending 31 December 2028 so as to accommodate any unexpected increase in the demands on such products/services due to the unexpected increase in number of vehicles to be sold. We also noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 20% in the proposed annual caps are not uncommon among listed companies in Hong Kong, and we therefore consider the buffer of 20% to be justifiable.

1. Estimated demand for Beijing Benz use

When determining the estimated demand of products/services for Beijing Benz use for the three years ending 31 December 2028, the Management considered (i) historical transaction amounts for demand of Beijing Benz use for FY2023 and FY2024; and (ii) the estimated growth on such demand. According the S&P Calculation, the estimated growth in demand of products/services for Beijing Benz use for the three years ending 31 December 2028 was the same as the expected increase in sales volume of vehicles under Beijing Benz for the same years.

With reference to the 2024 Annual Report, as there were multiple challenges such as the macroeconomy volatility, the increased market competition and the price fluctuation and supply of raw material, the sale volume of Beijing Benz for FY2024 slightly decreased for 4.7%, as compared with FY2023, recorded sales of 563,056 units of vehicles.

We noted from the S&P Calculation that, as Affected by changes in the industry competition situation and product life cycles, (i) the estimated sales volume of vehicles under Beijing Benz brand in the year ending 31

December 2025 ("**FY2025**") will moderate decrease compared with the actual sales volume for FY2024; (ii) the estimated sales volume for FY2026 are projected to stabilize, and the decline in sales volume under Beijing Benz brand will cease in 2026; (iii) the estimated sales volume for the year ending 31 December 2027 ("**FY2027**") and the year ending 31 December 2028 ("**FY2028**") are projected to rebound modestly; and (vi) the estimated sale volume under Beijing Benz brand for FY2025 to FY2028 will represent a compound annual growth rate of approximately 5.7%.

As confirmed by the Management, the lower decrease of sales volume of Beijing Benz for FY2025 and the stabilisation followed by moderate rebound in sales volume of Beijing Benz for the three years ending 31 December 2028 was driven by the following factors (i) the model refreshes and localization of NEV is expected to stabilize the sales volume in FY2026: the core models currently carried by Beijing Benz will complete the facelift by the end of 2025, and Beijing Benz will launch new NEV models including pure electric CLA and GLC models; (ii) the MMA platform rollout and NEV portfolio expansion will be a key driver contributing to the forecast rebound in sales volume in FY2027-2028: the combination of the following factors – the Mercedes' next-generation EV platform will be debuting in compact/mid-size vehicle; GLE, a mid-size luxury SUV which is one of the best-selling models in its line-up, will be localized and produced locally by Beijing Benz; and the NEV models produced by BBAC will be further expanded, which according to the Company, the vehicle line-up covers the major sub-categories of premium segments; (iii) their expectation that the aforementioned negative impacts on the sales volume of vehicles under Beijing Benz brand will gradually ease off; and (iv) natural growth in sales volume of existing models of Beijing Benz, which is expected align with the domestic luxury vehicle market growth trend.

Having also considered the historical sales volume of Beijing Benz have remained relatively steady from FY2021 to FY2024 (increased slightly from 561,008 units of vehicles in FY2021 to 563,056 units of vehicles for FY2024, according to the Company's historical annual reports), together with the factors above, we are of the view that the above estimated increases in the sales volume of vehicles under Beijing Benz brand for FY2025 and FY2026 to be justifiable.

As advised by the Management, Beijing Benz will focus on consolidating its position in the high-end luxury vehicle market including both traditional fuel vehicles and electric vehicles. Accordingly, the estimated sales volume of vehicles under Beijing Benz brand for the two years ending 31 December 2028 remained stable under the S&P Calculation.

Based on the above, we consider that the estimated demand of products/services for Beijing Benz use for the three years ending 31 December 2028 to be justifiable.

2. Estimated demand for Beijing Brand use

As the Group's proprietary brand, Beijing Brand covers sedans, SUVs and off-road vehicles in internal combustion engine, hybrid models and electric.

When determining the estimated demand of products/services for Beijing Brand use for the three years ending 31 December 2028, the Directors considered (i) historical transaction amounts for demand of products/services for Beijing Brand use for FY2023 and FY2024; (ii) the estimated sales volume of Beijing Brand for FY2025; and (iii) estimated changes in such demand for the three years ending 31 December 2028.

We noted from the S&P Calculation that (i) despite the multiple challenges such as macroeconomy volatility and intensified market competition, Beijing Brand recorded a sales volume of 192,840 units for FY2024, which increased of approximately 19.4% in sales volume as compared to that for FY2023; (ii) the compound annual growth rate of sales volume of Beijing Brand vehicles from year ending 31 December 2021 ("**FY2021**") to FY2024 is approximately 38.6%; (iii) due to the launching of hybrid version of multiple high-profile models, the estimated sales volume of Beijing Brand vehicles for FY2025 will increase and sustain the aforesaid growth; and (vi) the Group is expected to launch new models and updated hybrid version of existing models in the coming year, which would continue increase the sales volume for the launching years and subsequent years.

According to the China Association of Automobile Manufacturers (CAAM), the sales volume of passenger vehicles (including traditional fuel vehicles and NEV) in the PRC increased from 21.0 million units of vehicles for FY2021 to 27.6 million units of vehicles for FY2024, representing a compound annual growth rate of approximately 9.4%. The market estimation of the passenger vehicles sales volume for FY2028 will reach around 33.0 million units, which will increase by approximately 19.6% as compared to FY2024.

We also noted that the government of the PRC issued various favorable government policies for passenger vehicles to support its development in recent years, especially for NEV, such as subsidies arrangement for NEV, exemption of vehicle purchase tax for NEV, parallel credits policy on vehicle manufacturers and importers arrangement, guidance for the development of electric vehicle charging infrastructure, etc. In addition, in 2024, the Ministry of Commerce and the Ministry of Finance of PRC, together with other 5 government departments, published the《汽車以舊換新補貼實施細則》(Detailed Rules for the Trade-in Subsidy Program for Automobiles), which specifically targets the replacement of older vehicles with both traditional fuel models and new energy models. This policy not only provides financial incentives of up to RMB10,000 per eligible vehicle but also mandates technical standards, such as battery energy density requirements and charging infrastructure compatibility. These measures collectively aim to stimulate the domestic automotive market and accelerate the adoption of NEV.

Based on the above, we considered that the estimated increases in sale volume under Beijing Brand for three years ending 31 December 2028 to be justifiable. And we consider the estimated demand of products and services under Beijing Brand for the three years ending 31 December 2028 to be justifiable.

In light of the above factors, we consider that the proposed annual caps for the (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions for the three years ending 31 December 2028 are fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of revenue or cost to be recognised or incurred from the Purchase Transactions and Sale Transactions. Consequently, we express no opinion as to how closely the actual revenue or cost to be recognised or incurred from the Purchase Transactions and Sale Transactions will correspond with the respective proposed annual caps.

Having considered the principal terms of the Purchase Transactions and Sale Transactions as set out above, including but not limited to the estimated demand for Beijing Benz use, Beijing Brand use, and the historical utilisation rate, we consider that the terms of the Purchase Transactions and Sale Transactions (including the proposed annual caps) are on normal commercial terms and are fair and reasonable.

Listing Rules implication

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Purchase Transactions and the Sale Transactions must be restricted by their respective proposed annual cap for the period; (ii) the terms of the Purchase Transactions and the Sale Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Purchase Transactions and the Sale Transactions must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Purchase Transactions and the Sale Transactions (as the case may be) (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps. In the event that the total amounts of the Purchase Transactions or the Sale Transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Purchase Transactions or the Sale Transactions, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Purchase Transactions and the Sale Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION ON THE PURCHASE TRANSACTIONS AND SALE TRANSACTIONS

Having taken into account that above factors and reasons, we are of the opinion that (i) the Purchase Transactions and Sale Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Purchase Transactions and Sale Transactions are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Purchase Transactions and Sale Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

(2) LICENSING TRANSACTIONS

Reasons for and benefit of the Licensing Transactions

With reference to the Board Letter, a significant portion of the trademarks used for passenger cars produced and sold by the Group are licensed by BAIC Group. Such trademark licenses are critical to the operation and production of the Group and in the best interests of the Group and the Shareholders.

We understood from the Management that the trademark underlying the Licensing Transactions are used for the Group's operation. Accordingly, we consider the Licensing Transactions are part and parcel and inseparable to the Group's business operations.

In light of the aforesaid, we are of the view that the Licensing Transactions are conducted in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

Principal terms of the Licensing Transactions

Set out below are the key terms of Trademark Licensing Framework Agreement, details of which are set out under the section headed "Renewal of the Trademark Licensing Framework Agreement" of the Board Letter.

Date: 26 August 2025

Parties:

(i) BAIC Group (as the licensor)

(ii) the Company (as the licensee)

Term: The term of the renewed Trademark Licensing Framework Agreement will commence on 1 January 2026 and end on 31 December 2028, subject to renewal through mutual consent by the parties.

Principal terms: According to the renewed Trademark Licensing Framework Agreement, BAIC Group grants the Group license for the use of certain trademarks on the products manufactured by and the services provided by, and in the documents of the Group.

The actual trademark licensing fees and the method of payment shall be determined on the principles, conditions and terms of the renewed Trademark Licensing Framework Agreement and set out in the specific agreements to be entered into by the parties.

Pricing policy and internal control measures

With reference to the Board Letter, the licensing fees will be paid to BAIC Group with reference to a pre-agreed rate of the net revenue generated by each product manufactured or service provided. Net revenue generated by each product manufactured or service provided will be calculated based on the suggested retail price of the complete vehicle manufacturer net of the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax, sales discounts and other deductions.

The relevant prices of licensing fees to be paid to BAIC Group will be determined after arm's length negotiation by both parties with reference to the historical prices of the relevant licensing fees to be paid to BAIC Group. The Group will ensure that the terms and conditions of the licensing fees to be paid to BAIC Group are fair and reasonable based on the principle of cost plus a fair reasonable profit rate.

For our due diligence purpose, we obtained the calculation of the licensing fees paid by the Group to BAIC Group for FY2023, FY2024 and six months ended 30 June 2025 (the "**Licensing Fees Calculation**") and noted that: (i) the licensing fees paid to BAIC Group, for individual models, were calculated with reference to a pre-agreed rate, applied to the net revenue generated by the particular product according to the pricing policy; and (ii) the rate of the licensing fee paid to BAIC Group was determined with reference to historical rate. We believe such licensing fee paid to BAIC Group did not deviate from the aforesaid pricing policy. Given that (i) the trademarks underlying the Licensing Transactions are used for the generation of revenue from the vehicles to be manufactured by the Group; (ii) the abovementioned factors in determining the pre-agreed rate; and (iii) the trademarks underlying the Licensing Transactions are not comparable to that may be offered by independent third parties, we consider the basis for determining the pre-agreed rate is justifiable.

To assess the fairness and reasonableness of the existing pre-agreed rate for the existing Licensing Transactions as set out in the existing trademark licensing agreement entered into between the Group and BAIC Group (being the licensing fee rate used to formulate the Licensing Caps (as defined below), the "**Existing Pre-agreed Rate**"), we searched for continuing connected transactions in respect of brand/trademark licensing with licensing fee charged as a percentage of revenue/sales, as announced by Hong Kong listed companies during the past three years prior to the Announcement Date (the "**Reference Transaction(s)**"). On a best effort basis, we identified seven Reference Transactions that we found based on our selection criteria. Despite the brand/trademarks under the Reference Transactions are not the same as that underlying the Licensing Transactions and the business operation of the licensees of the Reference Transactions are different from the Group, we consider that the Reference Transactions can provide a general reference of the licensing fee rates of other brand/trademark licensing transactions.

Date of announcement/ annual report/ prospectus	Company name (Stock code)	Licensing fee rates of the Reference Transactions
16 March 2023	DPC Dash Ltd (1405.HK)	(i) a pre-determined lump sum fee; (ii) a pre-determined one-off fee for each store opened; and (iii) 3% of all sales by all stores in the PRC opened and operated
31 March 2023	Lenovo Group Limited (992.HK)	(i) 0.05% on the consolidated revenue of the relevant group calculated on a quarterly basis; (ii) 0.45% on sales of licensed products not made or conducted via or by licensor or its affiliates
30 December 2024	Tong Ren Tang Technologies Co. Ltd (1666.HK)	0.3% of the licensee's annual license fee base number
30 December 2024	BOE Varitronix Limited (710.HK)	0.5% of the revenue from the principal business less the internal purchases of the licensee for the previous year, and less any discount (if applicable)
9 January 2025	Imax China Holding, Inc. (1970.HK)	5% of all revenues and other compensation received by relevant companies in connection with the relevant Business conducted in their relevant territory
7 April 2025	Yum China Holding Inc. (9987.HK & YUMC)	3% of relevant net sales of the licensed brand
28 April 2025	Wynn Macau, Limited (1128.HK)	greater of (1) 3% of the intellectual property gross monthly revenues, or (2) a pre-agreed fixed amount per month

As depicted from the above table, the licensing fee rates of the Reference Transactions ranged from 0.05% to 5%. The Existing Pre-agreed Rate is within the aforesaid licensing fee rates range. Accordingly, we consider the Existing Pre-agreed Rate to be justifiable.

With reference to the Board Letter, the Group adopted the internal management procedures set out in the sub-section headed "Major and Continuing Connected Transactions – Internal Control and Corporate Governance Measures" of the Board Letter, to ensure that the CCTs are fair and reasonable and on normal commercial terms. We consider that the effective implementation of such internal management procedures would help to ensure fair pricing of the Licensing Transactions.

With reference to the 2024 Annual Report, the independent non-executive Directors have reviewed, amongst others, the Licensing Transactions for FY2024 and confirmed that, they have been entered into: in the ordinary and usual course of the Group's business; on normal commercial or better terms; with the terms no less favourable to the Company than those offered to or by (as the case may be) independent third parties, if those available for comparison are insufficient to determine whether the terms of such transaction is normal commercial terms; and in accordance with relevant agreements which conditions are fair and reasonable and in the interest of the Shareholders of the Company as a whole (the "**INED Confirmation**").

With reference to the 2024 Annual Report, the Company has engaged its auditor to report on the Group's continuing connected transactions in accordance with HKSAE 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor, based on its work, provided the Board with a letter (the "**Auditor Confirmation**") confirming that, with respect to, amongst others, the Licensing Transactions for FY2024: (1) nothing has come to the auditor's attention that causes it to believe that the Licensing Transactions have not been approved by the Board; (2) nothing has come to our auditor's attention that causes it to believe that the Licensing Transactions were not, in all material respects, in accordance with the pricing policies of the Group; (3) nothing has come to our auditor's attention that causes it to believe that the Licensing Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (4) with respect to the aggregate amount for each of the Licensing Transactions, nothing has come to the auditor's attention that causes it to believe that the amount of the Licensing Transactions has exceeded the annual cap as set by the Company.

In light of the above, in particular (i) the FY2024 Licensing Fees Calculation did not deviate from the aforesaid pricing policy; (ii) the INED Confirmation; and (iii) the Auditor Confirmation, we consider the internal control measures in place are sufficient ensure that the prices and terms of the Licensing Transactions would not deviate from those set out in the Trademark Licensing Framework Agreement.

Proposed annual caps

Set out below are (i) the historical transaction amounts of the Licensing Transactions for the three years ending 31 December 2025; (ii) the historical annual caps of the Licensing Transactions (the "**Licensing Cap(s)**") for the three years ending 31 December 2025; and (iii) the proposed Licensing Caps for the three years ending 31 December 2028:

	For the year ended 31 December 2023 *RMB million*	**For the year ended 31 December 2024** *RMB million*	**For the year ending 31 December 2025** *RMB million*
Historical transaction amounts	746.6	660.7	287.3 *(Note)*
Historical Licensing Caps	985.0	992.0	996.0
Utilisation rate	75.8%	66.6%	28.8% *(Note)*

	For the year ending 31 December 2026 *RMB million*	**For the year ending 31 December 2027** *RMB million*	**For the year ending 31 December 2028** *RMB million*
Proposed Licensing Caps	788	915	915

Note: the figure is for the six months ended 30 June 2025.

As disclosed in the Letter from the Board, there was a decrease in the amount of trademark licensing fees paid from 2022 to 2024 due to the competition in passenger vehicle industry having intensified, resulting in the drop in the sales of Beijing Benz and Beijing brands. With a view to increase competitiveness, the Group focused and devoted more on commercial policies, which resulted in the overall decrease in the sales and thereby, the receipt of trademark licensing fee correspondingly decreased. As at the Latest Practicable Date, the existing annual caps for the year ending 31 December 2025 has not been exceeded.

Basis for determining the proposed Licensing Caps for the three years ending 31 December 2028 is set out in the sub-section headed "RENEWAL OF THE TRADEMARK LICENSING FRAMEWORK AGREEMENT – Basis of Determination of the Proposed Annual Caps" of the Board Letter.

The Company provided us calculation for the proposed Licensing Caps for the three years ending 31 December 2028 (the "**Licensing Caps Calculation**"). We noted from the Licensing Caps Calculation that the proposed Licensing Caps were formulated based on:

(i) the historical licensing fee charged in FY2024;

(ii) the growth of estimated sales volume of vehicles subject to the licensing fees in the three years ending 31 December 2028; and

(iii) a buffer of 20% on estimated licensing fees for each of the three years ending 31 December 2028.

We further noted from the Licensing Caps Calculation that the growth of estimated sales volume of vehicles is based on the projected growth of sales volume of passenger vehicles of Beijing Benz. As discussed with Management, this corresponds to the current scope of the vehicles subject to the licensing fee arrangement. Please refer to the section headed "PURCHASE TRANSACTIONS AND SALE TRANSACTIONS – Proposed Annual Caps – Estimated Demand for Beijing Benz Use" in this letter for discussion for the reasonableness of the growth in estimated demand for Beijing Benz.

The proposed Licensing Caps for the three years ending 31 December 2028 having considered (i) the trademark licensing fees previously paid by the Group to BAIC Group; (ii) the estimated growth of vehicles that are subject to the licensing arrangement, and (iii) the proposed Licensing Caps for the three years ending 31 December 2028 were less than the historical Licensing Cap for FY2025 reflecting the estimated sales volume in the period, we consider that the proposed Licensing Caps for the three years ending 31 December 2028 are fair and reasonable.

Shareholders should note that as the proposed Licensing Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of cost to be incurred from the Licensing Transactions. Consequently, we express no opinion as to how closely the actual cost to be incurred from the Licensing Transactions will correspond with the respective proposed Licensing Caps.

Having considered the principal terms of the Licensing Transactions as set out above, we consider that the terms of the Licensing Transactions (including the proposed Licensing Caps) are on normal commercial terms and are fair and reasonable.

Listing Rules implication

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Licensing Transactions must be restricted by their respective proposed annual cap for the period; (ii) the terms of the Licensing Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Licensing Transactions must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Licensing Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps. In the event that the total amounts of the Licensing Transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Licensing Transactions, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Licensing Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION ON THE LICENSING TRANSACTIONS

Having taken into account that above factors and reasons, we are of the opinion that (i) the Licensing Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Licensing Transactions are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Licensing Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

B. ENTRY OF FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH BAIC GROUP

On 26 August 2025, the Company and BAIC Group entered into the Financial Services Framework Agreement, pursuant to which BAIC Group has agreed to provide financial services to the Group through the relevant subsidiaries of BAIC Group with the corresponding financial business qualifications. The Financial Services Framework Agreement will take effect from 1 January 2026 to 31 December 2028. Historically, the provision of deposits and financial services by BAIC Group to the Group was governed by a financial services framework agreement dated 27 April 2022 entered into between BAIC Group Finance Co., Ltd. and the Company (the "**Legacy Financial Services Agreement**").

Reasons for and benefits of entering into the Financial Services Framework Agreement with BAIC Group *(Note)*

Details of reasons and benefits for the Deposits and Financial Services are set out under the section headed "Renewed Financial Services Framework Agreement – Reasons and Benefits" of the Board Letter.

We noted from the Financial Services Framework Agreement that interest rates for the deposits placed by the Group with the relevant subsidiaries of BAIC Group with the corresponding financial business qualifications will not be lower than: (i) the minimum interest rate published by the PBOC for deposits of a similar type for the same period; (ii) the interest rate for comparable deposits of a similar type offered by BAIC Group to the subsidiaries of BAIC Group, other than the Group, through the relevant subsidiaries of BAIC Group with the corresponding financial business qualifications; or (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Group.

Furthermore, we noted that the interest rates or services fees for the other financial services will be: (i) subject to the benchmark fee (if applicable) for similar types of financial services published by the PBOC or the NFRA from time to time; (ii) not higher than the interest rates or fees charged to the Group by independent commercial banks or financial institutions for similar types of financial services; and (iii) as far as the Group is concerned, not higher than the fees charged by BAIC Group to the subsidiaries of BAIC Group, other than the Group, through the relevant subsidiaries of BAIC Group with the corresponding financial business qualifications for similar financial services.

In light of the above factors, we consider that the Deposit and other Financial Services are conducted in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Note: Since the loan services to be provided by BAIC Group to the Group through the relevant subsidiaries of BAIC Group under the Financial Services Framework Agreement are exempted transactions, we will not express our opinion on such services in this letter.

Principal terms of the Deposit and other Financial Services

Set out below are the key terms of Deposit and other Financial Services under the Financial Services Framework Agreement. Details of terms of the agreement are set out under the section headed "Renewal of the Financial Services Framework Agreement" of the Board Letter.

Date:	26 August 2025
Parties:	(i) the Company (ii) BAIC Group
Term of the agreement:	From 1 January 2026 to 31 December 2028
Principal terms:	BAIC Group will provide financial services to the Company through the relevant subsidiaries of BAIC Group with the corresponding financial business qualifications, and such financial services primarily include (i) deposits; (ii) loans and entrusted loan; (iii) other financial services including discounted notes and acceptance service, finance lease, settlement and entrusted loan agency; and (iv) other services as approved by relevant financial regulatory authorities. Members of the Group on the one hand and the relevant subsidiaries of BAIC Group that have the corresponding financial business qualifications on the other hand will enter into specific agreements for each of the specific transactions contemplated under the Financial Services Framework Agreement, provided that such specific agreements shall follow the principles as set out in the Financial Services Framework Agreement.

Pricing policy and internal control measures

We noted from the Financial Services Framework Agreement that:

i. Deposit services

Interest rates for the deposits placed by the Group with the relevant subsidiaries of BAIC Group that have the corresponding financial business qualifications will not be lower than: (a) the minimum interest rate published by the PBOC for deposits of a similar type for the same period; (b) the interest rate for comparable deposits of a similar type offered by BAIC Group to the subsidiaries of BAIC Group, other than the Group, through the relevant subsidiaries of BAIC Group with the corresponding financial business qualifications; or (c) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Company and its subsidiaries.

ii. ***Other financial services***

Interest rates or services fees will be: (a) subject to the benchmark fee (if applicable) for similar types of financial services published by the PBOC or the NFRA from time to time; (b) not higher than the interest rates or fees charged to the Group by independent commercial banks or financial institutions for similar types of financial services; and (c) as far as the Group is concerned, not higher than the fees charged by BAIC Group to the subsidiaries of BAIC Group, other than the Group, through the relevant subsidiaries of BAIC Group with the corresponding financial business qualifications for similar financial services.

Upon our request, the Company provided the following records to us: (i) transaction records of the Group's deposits placed in independent commercial banks and BAIC Group for FY2023, FY2024 and six months ended 30 June 2025; (ii) transaction records of the Group's other financial services placed in independent financial institution and BAIC Group for FY2023, FY2024 and six months ended 30 June 2025; and (iii) transaction records of BAIC Group's other member companies (other than the Group) placed deposits and other financial services in BAIC Group during FY2023, FY2024 and six months ended 30 June 2025 . under the Legacy Financial Services Agreement. We noted from aforesaid records that the deposit rates/ other financial service fee as shown in the records are in line with the aforesaid requirements under the Deposits and other Financial Services. In particular, compared with the fixed deposit rates offered by leading commercial banks, the deposit interest from BAIC Group is more favorable.

With reference to the 2024 Annual Report, the independent non-executive Directors of the Company reviewed, amongst others, the Deposits and other Financial Services for FY2024 and confirmed that, they have been entered into: in the ordinary and usual course of the Group's business; on normal commercial or better terms; with the terms no less favourable to the Company than those offered to or by (as the case may be) independent third parties, if those available for comparison are insufficient to determine whether the terms of such transaction is normal commercial terms; and in accordance with relevant agreements whose conditions are fair and reasonable and in the interest of the Shareholders of the Company as a whole.

With reference to the 2024 Annual Report, the Company has engaged its auditor to report on the Group's continuing connected transactions in accordance with HKSAE 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accounts. Based on the auditor's work, the Company's auditor provided the Board with a letter confirming that, with respect to, amongst others, the Deposits and other Financial Services for FY2024: (1) nothing has come to the auditor's attention that causes it to believe that the Deposit and other Financial Services have not been approved by the Board; (2) nothing has come to our auditor's attention that causes it to believe that the Deposit and other Financial Services were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; (3) with respect to the highest daily balance of deposits under the existing Financial Services Framework Agreement, nothing has come to the auditor's attention that causes it to believe that the highest daily balance of deposits under the existing Financial Services Framework Agreement has exceeded the annual cap as set by the Company.

Furthermore, the Group adopted a series of internal control measures to ensure the deposit transactions under the Financial Services Framework Agreement are conducted in a fair and reasonable manner. Details of the internal control measures are set out under the section headed "Internal Control Procedures for the Implementation of Continuing Connected Transactions" of the Board Letter. Having considered that the aforesaid internal control measures include (i) the Group's capital management team will update the statement of deposit rates, loan interest rate and financial service fee of various financial institution on a monthly basis and prioritize the institutions with the most favourable rate for deposit; and (ii) financial department, audit department, legal department and other relevant departments will conduct review based on the transaction type and corresponding approved amount of each transaction made by the capital management team to ensure that the pricing terms of transactions under the Financial Services Framework Agreement are on normal commercial terms, we consider the effective implementation of the internal control mechanism would help to ensure fair determination of the deposit rates, loan interest rate and financial service fee under the Deposits and other Financial Services.

Historical Transaction Amounts

For the three years ended 31 December 2024, the historical transaction amounts (as in the Legacy Financial Services Agreement) in respect of the maximum daily balance of deposits placed by the Group with BAIC Finance, the interest income from deposits placed by the Group with BAIC Finance and the charges for other financial services of the Group with BAIC Finance are as follows:

	For the year ended 31 December 2023 *RMB'million*	For the year ended 31 December 2024 *RMB'million*	For the year ending 31 December 2025 *(Note)* *RMB'million*
Maximum daily balance of deposits	15,969.2	19,560.0	19,876.2
Utilisation rate (%)	72.6	88.9	90.4
Interest income from deposits	85.5	106.0	45.8
Utilisation rate (%)	17.4	21.6	9.4
Charges for other financial services	177.5	246.0	156.3
Utilisation rate (%)	38.8	31.7	20.5

Note: the figure is for the six months ended 30 June 2025.

As disclosed in the Letter from the Board, since 2023, due to the vehicle financing industry having intensified where banks and other financial institutions have been proactively providing financial services to the Group, thereby resulting in the usage proportion of other financial services from connected persons having decreased. In the meantime, the Group has been tightening the use of sale strategies through financial means, which has also led to the usage proportion of other financial services having decreased. As at the Latest Practicable Date, the existing annual caps for the year ending 31 December 2025 have not been exceeded.

Proposed annual caps

The annual caps for the maximum daily balance of deposits placed by the Group with the relevant subsidiaries of BAIC Group that have the corresponding financial business qualifications, the interest income from deposits placed by the Group with the relevant subsidiaries of BAIC Group that have the corresponding financial business qualifications, and the charges for other financial services of the Group with the relevant subsidiaries of BAIC Group that have the corresponding financial business qualifications for the next three years ending 31 December 2028 are as follows:

	For the year ending 31 December 2026	For the year ending 31 December 2027	For the year ending 31 December 2028
	RMB'million	*RMB'million*	*RMB'million*
Maximum daily balance of deposits	22,000	22,000	22,000
Interest income from deposits	490	490	490
Charges for other financial services	870	1,262	1,523

According the basis for determining proposed Deposit Caps for the three years ending 31 December 2028:

In determining the annual caps, the Company comprehensively considered the expected future sales revenue of the Group and will also pay attention to controlling the scale of deposits placed with the relevant subsidiaries of BAIC Group that have the corresponding financial business qualifications, in order to avoid potential risks in connection with over-concentration of capital.

According to the historical data, the utilisation rates for existing Deposit Caps were at very high levels for FY2023 and FY2024 and also for the year ending 31 December 2025. We noted from the 2024 Annual Report that as at 31 December 2024, the Group's (i) total cash (including cash and cash equivalents, restricted cash and time deposits with initial term of over three months) were approximately RMB33.6 billion; and (ii) accounts receivable was approximately RMB16.8 billion, the summation of which was approximately RMB50.4 billion (the "**Sum**"). The Deposit Caps for the three years ending 31 December 2028, which indicate the possible demand on deposit services, are less than the Sum. Having considered the aforesaid and the utilisation rates of the existing/previous Deposit Caps for the three years ending 31 December 2025, we do not consider the Group's continuous utilisation of the existing Deposit Caps for the three years ending 31 December 2028 unreasonable.

In determining the annual caps for interest income from deposits placed by the Group with the relevant subsidiaries of BAIC Group that have the corresponding financial business qualifications under the Financial Services Framework Agreement, the Company mainly considered the following factors:

(i) the maximum daily balance of deposits placed by the Group with the relevant subsidiaries of BAIC Group that have the corresponding financial business qualifications under the Financial Services Framework Agreement from 2026 to 2028; and

(ii) the main type of deposits placed by the Group with the relevant subsidiaries of BAIC Group that have the corresponding financial business qualifications and corresponding interest rates. The interest rates on deposits placed by the Group with the relevant subsidiaries of BAIC Group that have the corresponding financial business qualifications shall not be lower than: (a) the minimum deposit interest rate on deposits of similar types and maturities announced by the People's Bank of China; (b) the deposit interest rate on deposits of similar types and maturities placed by the subsidiaries of BAIC Group other than the Group; or (c) the deposit interest rate on deposits of similar types and maturities offered by an independent commercial bank to the Company and its subsidiaries.

We noted that the annual cap for the interest income from deposits represents an effective interest rate of 2.23% (assuming that the maximum daily balance of deposits is placed with BAIC Group for the entire year). We noted that such effective interest rate is similar to the Overnight Standing Lending Facility Rate as published by the PBOC effective from 8 May 2025 onwards, and we further noted that the effective interest rate is higher than the RMB deposit interest rate for savings account and fixed deposits up to 5 years for published by the Bank of China effective from 20 May 2025. Having considered the aforesaid, together with the pricing policy that the interest rate shall not be lower than that for deposits of a similar type for the same period offered by independent commercial banks to the Company and its subsidiaries, we consider annual cap for the interest income for the three years ending 31 December 2028 reasonable.

In determining the annual caps for other financial services under the Financial Services Framework Agreement, the Company mainly considered the following factors:

(i) the Group's planned production and sales volume for the three years ending 31 December 2028;

(ii) the types and associated fees of other financial services required by the Group; and

(iii) the expected proportion of other financial services to be provided by the relevant subsidiaries of BAIC Group with the corresponding financial business qualifications compared to other service provider(s) rendering similar financial services to the Group.

We have noted in the annual cap calculation schedule for the other financial services under the Financial Services Framework Agreement that the annual cap for the three years ending 31 December 2028 is based on (i) the annual cap for FY2025 and (ii) the growth in the expected sales volume of vehicles under Beijing Brand. In particular the growth is driven by the increase in sales volume in new models of pure electric vehicles and plug-in hybrid electric vehicles to be introduced in 2026.

According to Management, it is expected that expected increase in sales volume will drive the increase in use of the other financial services, which mainly includes consumer credits arranged by BAIC Group for the Group's end customers.

In light of the above, we consider that the Caps of Deposit, Interest income and charges for other financial services for the three years ending 31 December 2028 are fair and reasonable.

Shareholders should note that as the proposed Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of deposit amount under the Deposit and other Financial Services. Consequently, we express no opinion as to how closely the actual deposit amount under the Deposit and other Financial Services will correspond with the proposed caps.

Exempted Transactions under the Financial Services Framework Agreement

Since the loan services to be provided by BAIC Group to the Group through the relevant subsidiaries of BAIC Group with the corresponding financial business qualifications under the Financial Services Framework Agreement are on normal commercial terms and on terms that are no less favourable to the Group than those offered by independent third parties for comparable services in the PRC, and that no security over the assets of the Group would be granted in respect of the loan services, the loan services transactions under the Financial Services Framework Agreement are exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Listing Rules implication

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the Deposits and other Financial Services must be restricted by the relevant caps for the period concerned under the Finance Services Framework Agreement; (ii) the terms of the Deposits and other Financial Services must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Deposits and other Financial Services must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Deposit and other Financial Services (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps. In the event that the maximum amounts of the Deposits and other Financial Services are anticipated to exceed the Caps, or that there is any proposed material amendment to the terms of the Deposits and other Financial Services, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Deposits and other Financial Services and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION ON THE DEPOSIT AND OTHER FINANCIAL SERVICES

Having taken into account that above factors and reasons, we are of the opinion that (i) the Deposits and other Financial Services are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Deposits and other Financial Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Deposits and other Financial Services and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Your faithfully,
For and on behalf of
China Everbright Capital Limited

Terence Cheng
Executive Director

Note: Mr. Terence Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of China Everbright Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 13 years of experience in investment banking industry.

* *For identification purpose only*