10 December 2025

To: The Independent Board Committee and the Independent Shareholders of
BAIC Motor Corporation Ltd.

Dear Sir/ Madam,

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 51% EQUITY INTEREST IN IN A WHOLLY-OWNED SUBSIDIARY

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed disposal of 51% equity interest in a wholly-owned subsidiary, BAIC International (the "**Target Company**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 10 December 2025 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 21 November 2025, the Company and BAIC Group entered into the Equity Acquisition Agreement, pursuant to which the Company conditionally agreed to sell and BAIC Group agreed to purchase 51% equity interest in the Target Company at a consideration of RMB1,607.5740 million in cash. As at the Latest Practicable Date, BAIC Group is the sole controlling shareholder of the Company and holds approximately 46.90% of the total issued share capital of the Company, thus it is a connected person of the Company. As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable and connected transaction of the Company which is subject to reporting, announcement, circular and Independent Shareholders' approval requirements of Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun, Mr. Edmund Sit and Mr. Ji Xuehong has been established to advise the Independent Shareholders as to (i) whether the Equity Acquisition Agreement and the Disposal contemplated thereunder are entered into in accordance with normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and (ii) whether the Disposal is in the best interests of the Company and the Shareholders taken as a whole and is conducted in the ordinary and usual course of business of the Group. Everbright Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Everbright Capital was engaged as independent financial adviser in respect of the Company's major and continuing connected transactions with details set out in the Company's circular dated 30 September 2025. Save for the aforesaid engagement, there was no other service provided by Everbright Capital to the Company and BAIC Group or any of their respective associates 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 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 accuracy of the statements, information, opinions and representations contained or referred to in the announcement of the Company dated 21 November 2025, the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have reviewed, among others, the Equity Acquisition Agreement, the annual report of the Company for the year ended 31 December 2024 (the "**2024 Annual Report**"), the interim report of the Company for the six months ended 30 June 2025, the financial information of the Target Company for the two years and nine months ended 30 September 2025 ("**9M2025**"), the Asset Valuation Report, certain corporate and financial information of the Company, and the information set out in the Announcement and the Circular. 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, accurate and complete in all material respects and not misleading or deceptive 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 representations made by the Management in the Circular and/or discussed with/ provided to us were reasonably made after due enquiries 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, or the Management, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

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, financial condition and future prospects of the Company, BAIC Group and their respective associates, nor have we considered the taxation implication on the Company or the Shareholders as a result of the Disposal. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the facts, information, representations and opinions made available to us, at the Latest Practicable Date.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the Disposal, and this letter, except for its inclusion in the Circular and for display on the websites of the Hong Kong Stock Exchange (www.hkexnews.com.hk) and the Company (www.baicmotor.com) as required under the Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, we have taken into consideration the following factors and reasons:

1. Background Information of the Parties Involved

a. Information on the Company

With reference to the letter from the Board, 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 financial results of the Company for the year ended 31 December 2023 and 2024 ("**FY2023**" and "**FY2024**", respectively) and the six months ended 30 June 2024 and 2025 ("**6M2024**" and "**6M2025**", respectively) as extracted from the annual report of the Company for FY2024 ("**2024 Annual Report**") and the interim report of the Company for 6M2025 ("**2025 Interim Report**"), respectively:

	FY2023	**FY2024**	**6M2024**	**6M2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	197,949,177	192,495,606	94,322,292	82,398,455
Gross profit	38,298,560	30,887,049	17,572,595	11,920,536
Profit for the period	13,626,309	9,832,859	6,866,298	3,774,388

FY2023 and FY2024

As set out in the 2024 annual report, the Group recorded: (i) revenue of approximately RMB192,495.6 million for FY2024, representing a decrease of approximately 2.8% compared to approximately RMB197,949.2 million for FY2023; (ii) profit for the period of approximately RMB9,832.9 million for FY2024, representing a decrease of approximately 27.8% compared to approximately RMB 13,626.3 million for 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 vehicles. Revenue relating to fuel vehicles increased due to an 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.

6M2024 and 6M2025

As set out in the 2025 interim report, the Group recorded: (i) revenue of approximately RMB82,398.455 million for 6M2025, representing a decrease of approximately 12.6% compared to approximately RMB94,392.292 million for 6M2024; (ii) profit for the period of approximately RMB3,774.388 million for 6M2025, representing a decrease of approximately 45.1% compared to approximately RMB6,866.298 million for 6M2024. With reference to the 2025 Interim Report, the aforesaid decrease in revenue was primarily due to the impact of changes in price competition and sales decline. As advised by the management, the aforesaid decrease in revenue and gross profit is mainly due to a decrease in overall sales volume of Beijing Benz which is expected to ease in the second half of 2025.

b. *Information on BAIC Group*

With reference to the letter from the Board, 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% 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, 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.

c. *Information on the Target Company*

With reference to the letter from the Board, BAIC International, a wholly-owned subsidiary of the Company as at the Latest Practicable Date and immediately prior to completion of the Disposal, is a limited liability company established in the PRC with a registered capital of RMB3,052,442,014. It is principally engaged in the overseas sales and distribution of the Company's self-branded passenger vehicles.

As the primary platform for the global business development of BAIC Group, the Target Company is positioned as an overseas trade platform and overseas integrated service provider. The Target Company aims to establish the international brand image of BAIC and promote the globalisation of BAIC Group.

In terms of product resources, the Target Company has established a relatively complete product development and commercial modification certification process system, leveraging BAIC Group's product resources. The available products include traditional fuel, hybrid, and new energy vehicle models. In marketing, sales channels have been developed in multiple key regions and countries worldwide. Overall, the Target Company's overseas business covers Asia, Africa, and the Americas, which are the primary markets for Chinese automobile exports.

The following table sets forth the financial information of BAIC International for the nine months ended 30 September 2025 and two years ended 31 December 2024 prepared in accordance with the China Accounting Standards for Business Enterprises:

Summary of the Target Company's Financial Information

	For the year ended 31 December 2023	For the year ended 31 December 2024	As at 30 September 2025
	(RMB ten thousand, audited)		
Revenue	327,328.47	297,836.23	312,121.03
Net profit before taxation	14,877.48	3,258.84	1,232.52
Net profit after taxation	14,877.48	3,258.84	1,232.52

We have discussed with the Management and understood that the decrease in revenue, operating profit and net profit is mainly due to the decrease in overall sales volume of the Target company, which is mainly attributable to global market volatility in 2024.

As at 30 September 2025, the Target Company's total assets amounted to approximately RMB3,711.76 million, which comprised mainly inventory of approximately RMB1,836.47 million, cash and cash equivalents of approximately RMB514.17 million and accounts receivable of approximately RMB448.06 million. The Target Company's total liabilities amounted to approximately RMB2,784.04 million, which mainly included accounts payables of approximately RMB1,881.28 million and contract liabilities of approximately RMB603.08 million. As at 30 September 2025, the audited net assets value of BAIC International was RMB927.72 million.

2. Reasons for and benefit of the Disposal

As set out in the Letter from the Board, in 2025, China's automotive export market maintained robust growth. From January to October, national automobile exports reached 5.616 million units, representing a year-on-year increase of 15.7%. To further advance the Company's internationalization strategy and actively capitalise on overseas expansion opportunities, the Company decided to dispose of 51% of the equity interests in BAIC International to BAIC Group, introducing BAIC Group as a shareholder of BAIC International. After completion of the Disposal, the Group will, on the one hand, leverage BAIC Group's platform advantages to comprehensively empower BAIC International's operations in overseas product development, brand building, investment and financing, thereby providing robust group-level resource support for the accelerated advancement of the Company's internationalization strategy, and will, on the other hand, retain 49% of the equity interests in BAIC International, enabling it to continue sharing in the long-term dividends generated by BAIC International's high-quality development.

In view of the above, the Directors, considered the Equity Acquisition Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Having considered, among others, (i) the disposal will enable the Company to reallocate its internal resources and better leverage BAIC Group's platform advantages; (ii) the Company is expected to record a gain from the Disposal, the details of which are further analysed under the section headed "5. Possible financial effects of the Disposal" in this letter; and (iii) the net proceeds are expected to enhance the Company's liquidity and working capital, we concur with the view of the Directors that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

3. Principal terms of the Equity Acquisition Agreement

The principal terms and conditions of the Equity Acquisition Agreement are summarized below. Please refer to the "Letter from the Board" set out in the Circular for further details.

Date

21 November 2025 (after trading hours)

Parties

(i) The Company (as vendor); and

(ii) BAIC Group (as purchaser)

Disposal

Subject to the terms and conditions under the Equity Acquisition Agreement, the Company has agreed to sell, and BAIC Group has agreed to purchase, 51% of the equity interests in BAIC International, together with the shareholders' equity attaching thereto, including but not limited to the right to asset returns, right to participate in major decisions, right to select management, and other shareholders' rights as provided under the Company Law of the People's Republic of China and the articles of association of BAIC International. After completion of the Disposal, BAIC International will be owned as to 51% by BAIC Group and 49% by the Company, and BAIC International will cease to be a subsidiary of the Company and its financial results will no longer be consolidated in the Group's accounts.

Consideration and Payment

The consideration of the Equity Interests is RMB1,607.5740 million, representing the appraised value of the Equity Interests based on the Asset Valuation Report as filed with the competent organization. The consideration shall be paid by BAIC Group to the Company in cash in the following manner:

(i) RMB803.7870 million, being 50% of the total consideration, representing the appraised value of the Equity Interests based on the Asset Valuation Report as filed with the competent organization, shall be paid by BAIC Group to the designated bank account of the Company as and when the Equity Acquisition Agreement is signed and becomes effective upon the date on which the Disposal has been approved by the Independent Shareholders; and

(ii) RMB803.7870 million, being the remaining 50% of the total consideration, representing the appraised value of the Equity Interests based on the Asset Valuation Report as filed with the competent organization, shall be paid by BAIC Group to the designated bank account of the Company within one year from the effective date of the Equity Acquisition Agreement and after the completion of the registration procedures with the registration authority for the change of equity ownership in respect of the Equity.

Basis of Consideration

The consideration of the Equity Interests was determined after arm's length negotiations between the Company and BAIC Group with reference to the appraised value of the Equity Interests as at the Valuation Benchmark Date as appraised by the Independent Valuer by adopting the income approach. According to the Asset Valuation Report, the appraised value of the entire shareholder's equity of BAIC International was RMB3,152.1058 million, and accordingly, the consideration of the Equity Interests is RMB1,607.5740 million.

Conditions Precedent

Unless otherwise agreed upon by both parties, the closing of the Disposal is conditional upon the satisfaction of the following conditions:

(i) all internal approval procedures and formalities for the authorisation of the Disposal, including but not limited to approval by the Independent Shareholders, having been fulfilled by the Company;

(ii) all internal approval procedures and formalities for the authorisation of the Disposal having been fulfilled by BAIC Group; and

(iii) necessary approvals or filings in connection with the Disposal as required by the competent state-owned assets supervision and management authorities, having been completed by the parties.

As the Disposal is subject to relevant rules and regulations governing the acquisition and disposal of state-owned assets, we consider it is common market practice to have the closing of the Disposal to be conditional upon obtaining administrative and regulatory approvals.

4. Valuation of Target Company

CEA has been engaged by the Company to conduct a valuation (the "**Valuation**") of the 100% equity interest in the Target Company (the "**Target Interest**") on the Valuation Benchmark Date. According to the Asset Valuation Report, the Target Interest as at the Valuation Benchmark Date concluded by CEA by income approach was RMB3,152.1058 million (the "**Concluded Value**") and 51% of the corresponding appraisal value is approximately RMB1,607.5740 million.

We note that the Valuation Benchmark Date is 30 September 2025. Based on our discussion with CEA and the Management, we concur with the Board's view that the Concluded Value remains valid and relevant to determine the consideration taking into account (i) the Target Company is principally engaged in international marketing and sales of finished passenger vehicles, and we understand from the Company that there have been no material changes in the internal and external operating environment of the Target Company since the Valuation Benchmark Date; (ii) based on our review of the financial information of the Target Company for 9M2025 and for FY2022/FY2023/FY2024 as well as the Forecast (as defined below), the Target Company is expected to have a relatively stable income and cost structure during the Forecast Period (as defined below); and (iii) according to Assets Valuation Practicing Standards– Assets Valuation Report (《資產評估執業準則– 資產評估報告》) issued by China Appraisal Society (中國資產評估協會), a national self-regulatory organization in the asset appraisal industry in the PRC and is supervised by the Ministry of Finance of the People's Republic of China, the valuation results are valid for one year before the date of economic activity (經濟行為實現日).

Competence of CEA

We have reviewed and enquired the qualification and experience of CEA. We have (i) conducted a phone interview and reviewed certification and working experience of CEA to understand the qualification of CEA including its previous experience in conducting business valuation, as well as the valuation methodology adopted for the Valuation; and (ii) enquired whether CEA is independent to the Company. From information provided by CEA and based on our interview with CEA, we were satisfied with the terms of engagement of CEA as well as their qualification for preparation of the Asset Valuation Report. CEA also confirmed that they are independent to the Company.

Valuation methodologies

CEA has considered three generally adopted valuation approaches, which are the income approach, market approach and cost approach (asset-based approach) in performing the Valuation. Based on the Asset Valuation Report, we note that CEA had conducted the Valuation by using both the income approach and market approach and the value of the Target Interest was finally concluded by CEA under the income approach.

Cost Approach

We understand from CEA that the cost approach, which is a method of replacing the historical costs of the assets and liabilities shown in the statements of the financial position of the Target Company, primarily involves the assessment of assets and liabilities to appraise the business value of the valuation subject. However, the cost approach does not take into consideration of earnings potential and future development of the Target Company and hence is not adopted in the valuation of the Target Company.

Market Approach

Based on the Asset Valuation Report, the value of the Target Interest as at 30 September 2025 estimated by CEA was approximately RMB3,757.9178 million by using the market approach (the "**Market Approach Valuation**")

Based on our review of the Asset Valuation Report and our discussion with CEA, we note that the selection of the comparable companies is principally based on the comparability of the overall industry sector and are listed on the Chinese capital markets. There are three comparable companies (the "**Comparable Companies**") selected by CEA, namely Shenzhen Quanxinhao Co.,LTD (000007.SZ), Fujian Zhangzhou Development Co.,LTD (000753.SZ) and Liaoning Shenhua Holdings Co.,LTD. (600653.SH), which are public companies listed on the Shanghai and Shenzhen exchange.

Based on our review of the Asset Valuation Report and our discussion with CEA, we understand that the Comparable Companies vary from the Target Company in terms of main business and listing exchanges. CEA advised that it is common to consider a comprehensive set of comparable companies that engaged in similar businesses in Shanghai and Shenzhen stock exchange for the reason that the business of the Target Company is PRC-related. CEA after interviews and communications with the Target Company and on best effort basis identified 5 listed companies whose main business is recognized as marketing of automotive vehicle in Wind Financial Terminal, in Shanghai and Shenzhen stock exchange for reference and analysis. Among these 5 listed companies, CEA selected the Comparable Companies based on criteria that (i) the business model of Comparable Companies is similar to the Target Company, which includes sales and marketing of passenger vehicle; (ii) accounting policies, accounting periods are the same with the Target Company, (iii) Comparable Companies will have stable financial condition and operating continuity, (iv) Comparable Companies are with no material operational changes in recent years, and (v) Comparable Companies have been listed for at least two years. The Comparable Companies are the three companies among the 5 selected companies that fulfill the above 5 criteria at the same time.

To independently verify whether the 5 listed companies identified by CEA are sufficient and representative for further selection of the final Comparable Companies, We conducted our independent search on Bloomberg Terminal and Wind Financial Terminal on best effort basis based on the following criteria (i) the business includes sales and marketing of automobile vehicle; (ii) the listing exchange is Shanghai Stock Exchange, Shenzhen Stock Exchange or Beijing Stock Exchange; (iii) financial condition and operating continuity is stable, and identified 9 listed companies whose business includes automobile sales. Based on our discussion with CEA and further supporting documents, we note that the 5 listed companies are as below: Shenzhen Quanxinhao Co., LTD (000007.SZ), Fujian Zhangzhou Development Co., LTD (000753.SZ), Sinomach Automobile Co,. Ltd (600335.SH), Liaoning Shenhua Holdings Co., LTD (600653.SH) and Beijing Bashi Media Co., LTD (600386.SH). The table below illustrates the details of the reason that the company have or have not been distinguished as appropriate or not comparable companies:

	Company Name	**Stock Code**	**Included in CEA Selected Listed Companies (Yes/No)**	**Main Reason**
1	ShenZhen QuanXinHao Co Ltd	000007.SZ	Yes	–
2	Fujian Zhangzhou Development Co Ltd	000753.SZ	Yes	–
3	Liaoning Shenhua Holdings Co.,Ltd	600653.SH	Yes	–
4	Sichuan Haowu Electromechanical Co., Ltd	000757.SZ	No	Actual business segments are materially different. Please see reply below for detailed reason
5	Sinomach Automobile Co., Ltd	600335.SH	No	Actual business segments are materially different. Please see reply below for detailed reason
6	Hunan Dezhong Automobile Sales and Service Co., Ltd	838030.NQ	No	not listed in Shanghai or Shenzhen Stock Exchange

	Company Name	Stock Code	Included in CEA Selected Listed Companies (Yes/No)	Main Reason
7	Beijing Bashi Media Co., Ltd	600386.SH	No	Actual business segments are materially different. Please see reply below for detailed reason.
8	Shanghai Material Trading Co., Ltd	600822.SH	No	The revenue share of the automobile sales is relatively low
9	Xiamen Xindeco. Ltd	000701.SZ	No	The revenue share of the automobile sales is relatively low

The main business of Sichuan Haowu Electromechanical Co., Ltd. is distribution of vehicles and internal combustion engine crankshaft manufacturing. According to the annual report of 2025, major part of the Non-current Assets including Property, Plant and Equipment, Right-of-Use Asset and Intangible Assets are adopted by internal combustion engine crankshaft manufacturing. As For the reason that Revised P/B Ratio is adopted for the Market Approach Valuation, the assets and liabilities of the business of distribution of vehicles cannot be properly distinguished between the business segments, the book value of Sichuan Haowu is not suitable for use to determine a reliable P/B ratio.

Moreover, based on our discussion with CEA, the main business of 2 companies that not fulfill the above 5 criteria exhibits significant differences with Target Company. The details of other 2 companies that not fulfill the above 5 criteria are as below: The main business of Sinomach Automobile Co,.Ltd is automotive import and domestic distribution from oversea OEM to Chinese distributor, whose business model is relatively opposite with Target Company. The value chain, market and customers of Sinomach Automobile Co,.Ltd are significantly different with Target Company.The main business of Beijing Bashi Media Co.,LTD (600386.SH). is distribution of commercial vehicles. The value chain, market and customers of Sinomach Automobile Co,.Ltd are significantly different with Target Company.

We have reviewed the relevant information, including but not limited to Annual Reports and the respective business websites of all the 9 listed companies and the process of selection and exclusion by CEA, which we consider is reasonable.

Further, we note that CEA had considered tot expanding the list of comparable companies to international automotive distribution group or listing company on the Stock Exchange of Hong Kong. However, it is not is under a systematic consideration of CEA, which are not be regionalized considered as suitable method of for the determination of the comparable company base on the following reasons: (i) systematic differences between the market environment and the valuation logic domestically and overseas, (ii) the differences of business structure among the domestic and overseas companies.

We have reviewed the relevant information of all the Comparable Companies selected by CEA, including their respective principal businesses, principal operating locations and operating histories as disclosed in their respective published annual reports and noted that (i) the selection criteria of the Comparable Companies are fair and reasonable considering that such factors are similar to those of the operation of Target Company in terms of business operations; (ii) the business model of Comparable Companies is similar to Target Company, which includes sales of cars and marketing of automotive industry; (iii) accounting policies, accounting periods are the same with Target Company; and (iv) all Comparable Companies fall under the selection criteria of CEA. In addition, we searched listed companies in the Stock Exchange of Hong Kong and note that there are 5 more comparable companies. An analysis of the Valuation showed that the Comparable Companies adopted by CEA have a higher valuation, which is more beneficial to the Company and the Independent Shareholders. The analysis will be stated below.

In addition, based on our discussion with CEA and review of the Asset Valuation Report, we note that CEA has considered value ratios commonly adopted in the market approach, including price and earnings ratio (P/E), price to book ratio (P/B), price to sales ratio (P/S). The P/B ratio was adopted in the Market Approach Valuation by CEA. Given that (i) consistent expectations for forecasting revenue and profit of Comparable Companies are lacking; and (ii) Target Company is operated as an export-oriented trading platform of automotive industry which the Company believes significant future potential and growth rate of revenue and profits, in which P/E and P/S ratio derived from historical financial data have difficulty in measuring the fair value of Target Company. We consider that P/B ratio is the more appropriate valuation parameter to be used to measure the value of the Target Company.

With reference to the letter from the Board, the core function of the P/E ratio lies in measuring sustainable value based on profitability. Currently, BAIC International is executing the Group's internationalization strategy, prioritizing resource allocation toward market expansion, channel development, and brand cultivation. At this stage, the company's profitability is constrained by the upfront impacts of its strategic transformation period and has not yet been fully realized. Its current profit levels inadequately reflect its long-term value as a strategic core platform, making the P/E ratio an unsuitable metric. The P/S ratio is primarily applicable to high-growth enterprises where revenue scale drives core value. Although BAIC International has begun to generate preliminary business revenue, its income volume remains in the early stages of scaled development. As the core platform for BAIC Motor's passenger vehicle overseas expansion, its current revenue scale has not yet entered a stable growth phase. This makes it difficult to reflect the platform's potential and insufficient to capture the scale effects and synergistic value expected after capturing global regional market share. Therefore, the price-to-sales ratio is not suitable.

Based on the Asset Valuation Report and our discussion with the CEA, we note that P/E ratio lies in measuring profitability-based sustainable value. Target Company is implementing international strategic layout currently, with its resource allocation prioritizing market development, channel construction, and brand internationalization. the profitability of company is preliminarily impacted by the strategic transformation phase and has not yet been fully unleashed. The current profit level hardly reflects its long-term value as a strategic core platform and the significant future potential growth rate of the Target Company. Hence, it is not appropriate to adopt the P/E ratio. We note that P/S ratio is mainly applicable to high-growth enterprises with revenue scale as the core value driver. The current revenue scale of Target Company has not entered a stable growth phase, which can hardly reflect the significant future potential growth of Target Company and is insufficient to embody the economies of scale and value after it captures global regional market share in the future. Hence, it is not appropriate to adopt the P/S ratio.

Moreover, we have searched the consistent expectations for forecasting revenue and profit of Comparable Companies by Bloomberg and Wind Financial Terminal. And no query results regarding the aforementioned information were obtained.

Furthermore, to enhance the accuracy of valuation of Target Company, non-operating assets and liabilities of the Target Company are excluded from book value of net assets under Market Approach in the Asset Valuation Report. Based on the Asset Valuation Report, the P/B ratio ("**Revised P/B Ratio**") is calculated as the ratio of the price per share to operating assets, which is the difference between net assets and non-operating assets and liabilities(defined below), per share. The model of total value shareholders' equity of Target Company under Market Approach is as follows:

E=(A-B) x P/B ratio x (1-DLOM)+B

E: total value of shareholders' equity;
A: net assets of Target Company;
B: non-operating assets and liabilities defined by CEA, which are derived by Cash and Cash Equivalents, Other Equity Instruments Investment, Dividends Payable andProvisions from financial data of the Target Company at Valuation Benchmark Date and adjusted with business and financial characteristics by CEA;
P/B ratio: Revised P/B ratio adopted by CEA, detailed below;
DLOM: Lack of Marketability Discount, defined below.

We note that the financial data of the Target Company applied for the calculation of Revised P/B Ratio is based on the audited financial data of the Target Company at Valuation Benchmark Date. Based on the Asset Valuation Report, Revised P/B ratio adopted for the Market Approach Valuation is 8.97 times, which was determined with reference to the Revised P/B Ratio of each Comparable Company calculated based on their respective published financial information for the two years and nine months ended 30 September 2025,and was further adjusted by the adjustment factors (determined and assessed by CEA based on its professional judgement) in total assets, net assets attributable to the parent company, net profit margin on sales, return on equity, total asset turnover ratio, current asset turnover ratio, compounded revenue growth rate, compounded gross profit margin growth rate, gearing ratio and current ratio of these Comparable Companies to account for the differences in, among others, profitability, operation capacity, assets size and growth potential etc. of the Comparable Companies as compared to that of the Target Company. In details, P/B ratios will be adjusted downward if the Comparable Companies have (i) smaller total asset scale, (ii) lower net profit margin on sales, (iii) smaller market capitalization, (iv) lower inventory turnover ratio, and (v) higher debt-to-asset ratio, which is market practice and which we consider is reasonable. Based on our discussion with CEA, as it is relatively difficult to find comparable evidence that exactly matches the assets/business being valued, it is common market practice for professional valuer to apply some adjustments in comparable analysis in order to allow for differences in the various factors that may affect value. Such adjustments may require the valuer to make a qualitative judgement based on experience and professional knowledge without direct evidence to quantify the degree of adjustment required.

Furthermore, based on our discussions with the CEA and additional supporting documentation, we observe that the adjustment factors are derived from five distinct categories of indicators. Each category comprises specific indicators with assigned weights, all of which undergo normalization. The value of these specific indicators for comparable companies is determined by the relative volatility of the comparable ratio—specifically, the ratio of a comparable company's indicator to that of the target company, compared against the ratios of the same indicator across all comparable companies. Correction factors, which establish the upper limit of the comparable ratio and are approved by the CEA, also influence this calculation. The adjusted factor is computed as the reciprocal of the product of all indicator categories. Through our independent verification by replicating the P/B ratio adjustment process, we confirm that this adjustment process is both quantifiable and decomposable.

We have engaged in discussions with the CEA and observed that the application of adjustment factors in valuation is well-established, systematic, and widely applicable. The methodology for selecting indicators is largely consistent across contexts. Weights are determined by considering the applicability and significance of each indicator relative to the valuation target. Correction factors are calculated automatically, with the adjustment limit set by all applicable corrections ranging from -43% to 75%. However, the actual adjustment range typically falls within -20% to 20%. Based on our analysis, we consider the assigned weights and correction factors to be fair and appropriate.

Based on the Asset Valuation Report and our discussions with the CEA, we observe that the Revised P/B ratios (prior to adjustments by adjustment factors) for the Comparable Companies are 25.58 times, 2.33 times, and 7.69 times, respectively. These ratios align closely with the asset-intensive business nature of the Target Company and reflect its value composition during the growth stage. Due to the scarcity of fully appropriate Comparable Companies, the CEA has adjusted the P/B ratios on a best-efforts basis to ensure comparability.

DLOM (Lack of Marketability Discount) of 28% (which was determined by CEA with reference to 717 non-controlling unlisted equity transactions in China's capital market in 2024, as well as the analysis and recent research findings from CEA's in-house research department) was applied by CEA to adjust for the marketable interest value of the Target Interest that is not publicly tradeable.

We note that the value of the Target Interest as at 30 September 2025 under the Market Approach Valuation is 19.22% higher than that of the income approach. As discussed with CEA, CEA is of the view that despite the existence of appropriate market comparable companies which are either similar or comparable to the Target Company, the market approach determines the value of the Target Interest through comparable company method and there are certain uncertainties in the market approach outcomes which cannot be addressed given the variations in comparable components are affected by different regional markets, listing exchanges faced by the comparable companies, and their respective operations, business model, and product structure. As such, the value of the Market Approach Valuation is not adopted in the Valuation.

Based on the Asset Valuation Report and our discussions with the CEA, we have identified three key characteristics of the Target Company: (i) it serves as the exclusive sales platform for a Chinese automotive brand; (ii) it focuses on sales in overseas markets; and (iii) its business is expected to achieve relatively high growth. In contrast, the business models of the Comparable Companies primarily concentrate on vehicle distribution and do not share any of these three key characteristics. Consequently, the adjustment factors cannot be effectively applied to mitigate the uncertainties arising from differences in sales region, client base, value chain, and business structure between the Target Company and the Comparable Companies.

Moreover, based on our discussions with the CEA, we observe that a common industrial structure in the automobile industry leads to overseas sales operations typically being handled by unlisted companies within OEM groups. In contrast, independently listed automobile sales companies predominantly focus on domestic markets. Consequently, comparable companies whose core business involves passenger vehicle export trade cannot be identified.

To provide further analysis on the fairness and reasonableness of the Valuation under Market Approach Valuation, we conducted our independent search on a list of expanded comparable companies based on market information as of 21 November, 2025 (after trading hours). The selection criteria of expanded comparable companies are as follows: (i) the business model of expanded comparable companies is similar to the Target Company, which includes sales and marketing of passenger vehicle; (ii) accounting policies and accounting periods of expanded comparable companies are the same with Target Company, and (iii) the listing venue of expanded comparable companies been extend to the Stock Exchange of Hong Kong the same with CEA except for location and listing exchange. We have identified an exhaustive list of 10 comparable companies. Based on our discussions with the CEA and a review of the Asset Valuation Report, we observed that the calculation methodology for non-operating assets is derived from specific assessments conducted by the CEA, incorporating the business and financial characteristics of the relevant entities.

To independently verify the result of the comparable analysis, we have reperformed the P/B ratio analysis, with the comparables chosen by CEA supplemented by comparables listed on the Stock Exchange of Hong Kong. As the adjustment on the calculation of P/B ratios are only adopted on the comparables selected by CEA, we conduct the comparison based on the unadjusted P/B ratios. Based on the Asset Valuation Report and our discussion with CEA, we note that the aim of adopting adjusted P/B is to enhance the accuracy of valuation of Target Company. The non-operating assets and liabilities are derived by Cash and Cash Equivalents, Other Equity Instruments Investment, Dividends Payable and Provisions from financial data of the Target Company at Valuation Benchmark Date and adjusted with business and financial characteristics by CEA. Based on the business of individual comparable company, part of Cash and Cash Equivalents should be distinguished as operating assets and liabilities. The further adjustment is depended on the professional opinion of CEA. Hence, we cannot directly extend the calculation method to all 10 comparable companies. And we consider that unadjusted P/B ratio is most commonly used in Market Approach, practicability for our research and suitable for our verification.

The table below illustrates the P/B Ratio a of the expanded comparable companies based on figures extracted from the latest published full year financial statements of the expanded comparable companies and the closing share prices of the expanded comparable companies on the date of 21 November, 2025 for all 10 comparable companies.

Table 1 P/B Ratios of the Expanded Comparable Companies in Shanghai and Shenzhen Stock Exchange

	Company Name	Stock Code	Company Description (PRC Listed)	Market capitalization as of 11/21/2025 (RMB million)	P/B Ratio as of 11/21/2025 (x)
1	ShenZhen QuanXinHao Co Ltd	000007.SZ	QuanXinHao primarily engages in the provision of auto sales business serves as their key strategic component.	3,333	18.2
2	Fujian Zhangzhou Development Co Ltd	000753.SZ	Zhangzhou Development primarily engages in the provision of automotive trading services, alongside sewage treatment, real estate development.	8,061	2.9
3	Liaoning Shenhua Holdings Co.,Ltd	600653.SH	Liaoning Shenhua primarily engages in the provision of automotive businesses, including vehicle trading, auto parts wholesale, and related after-sales services.	3,873	5.3
4	Sichuan Haowu Electromechanical Co., Ltd.	000757.SZ	Haowu Mechanical primarily engages in the manufacture and sale of automotive parts, including single-cylinder diesel engines.	2,648	1.7
5	Sinomach Automobile Co,.Ltd	600335.SH	Guoji Automobile primarily engages in the provision of automotive wholesale.	9,169	0.8

Table 2 P/B Ratios of the Expanded Comparable Companies in the Main Board of Stock Exchange of Hong Kong

	Company Name	Stock Code	Company Description (HK Listed)	Market capitalization as of 11/21/2025 (HK million)	P/B Ratio as of 11/21/2025 (x)
1	Zhongsheng Group Holdings Limited	881.HK	Zhongsheng Group primarily engages in the provision of automotive retail, focusing on the import and sale of luxury and mid-to-high-end automobile brands.	26,652	0.5
2	China Yongda Automobiles Services Holdings Limited	3669.HK	Yongda Automobiles Services primarily engages in the provision of passenger vehicle retail, including the sale of new and used cars.	2,894	0.3
3	Sunfonda Group Holdings Limited	1771.HK	Sunfonda primarily engages in the provision of automotive dealership services for luxury and ultra-luxury vehicles.	162	0.1
4	China MeiDong Auto Holdings Limited	1268.HK	MeiDong Auto primarily engages in the provision of automotive dealership and after-sales services.	2,141	1.0
5	China Harmony Auto Holding Limited	3836.HK	Harmony Auto primarily engages in the provision of automotive dealership services for luxury and ultra-luxury vehicle brands.	1,280	0.2
			Maximum		**18.2**
			Minimum		**0.1**
			Average		**3.1**
			Median		**0.9**

Sources: Latest annual report of each expanded comparable company and website of the Stock Exchange of Hong Kong

Based on the results above, the P/B Ratios of the comparable companies ranged from 0.1 times to 18.2 times with an average and median of 3.1 times and 0.9 times as of the date of 21 November, 2025, and ranged from 0.1 times to 1.0 times as of the date of 21 November, 2025 for the expanded comparable companies in the Stock Exchange of Hong Kong. The average of the P/B ratio of the Comparable Companies is 7.27 times at Valuation Benchmark Date and 8.80 times at 21 November, 2025, both in the mid-range of total comparable companies and higher than (i) average, (ii) median, and(iii) maximum P/B Ratio of expanded comparable companies in the Stock Exchange of Hong Kong. In addition, we calculated the ratio of the value of the Target Interest by using Market Approach in the Asset Valuation Report to net assets of Target Company, which is 4.05 times. If the impact of DLOM is further reverted, the P/B ratio of Target Company will be 5.63 times under consistent definition with P/B ratios of expended comparable companies, which is also in the mid-range of total comparable companies and higher than (i) average, (ii) median, and (iii) maximum P/B Ratio of expanded comparable companies on the Stock Exchange of Hong Kong.

On the other hand, to verify the accuracy of unadjusted P/B, we have obtained the simplified calculation method of P/B ratio with adjustment factors of Comparable Companies and the calculation results of unadjusted P/B based on their respective published financial information for the two years and nine months ended 30 September 2025 by CEA. We have done further independent verification of the calculation results. The adjustment factors of Comparable Companies are relatively consistent with which of adjusted P/B. The unadjusted average P/B ratio of Comparable Companies is 5.73 times, close to 5.63 times which is our former independent verification. Hence, the suitability of utilization of unadjusted P/B is proved by the relative consistency of adjusted P/B and unadjusted P/B.

Having considered the assumptions, methodologies and basis of the Valuation under Market Approach is reasonable and the adjusted P/B Ratio adopted for the Target Company is in line with the P/B Ratios of the comparable companies by CEA and not lower than the mean of the comparable companies selected by us, we are of the view that the Valuation under Market Approach is reasonable.

Income Approach

Based on the Asset Valuation Report, the value of the Target Interest as at 30 September 2025 estimated by CEA was approximately **RMB3,152.1058 million** under the income approach ("**Income Approach Valuation**"), which is also the Concluded Value under the Valuation.

Regarding the income approach, CEA considered that the income approach can comprehensively reflect the market value of the Target Interest as the operating returns and risks of the Target Company can be determined given the future sale volume. Therefore, the income approach can better reflect the market value of the consolidated assets of the enterprise and can present a more comprehensive picture of the market value of the Target Company as at the Valuation Benchmark Date. In addition, the income approach is commonly adopted in the business valuation for valuation subject with supportable operating profit and cash flow forecast.

CEA is of the view that the income approach is the most optimal approach.

Based on the Asset Valuation Report and our discussions with the CEA, we observed that the Income Approach has been consistently selected as the most appropriate valuation methodology by the Asset Valuer (CEA). However, in accordance with the requirements of the Asset Valuation Filing for State-Owned Enterprises, the valuer is obligated to employ at least two valuation methods. Consequently, the CEA utilized the Market Approach to value the Target Interest, given the absence of any listed company exhibiting a sufficiently high degree of similarity to the Target Company.

According to the Asset Valuation Report and our discussion with CEA, Income Approach, by forecasting its future cash flows and discounting them to present value, can reasonably reflect the incremental value formed by Target Company in the process of the expansion of Chinese automotive brands, the deepening of channel networks, and the release of scale effects, and is more aligned with its asset characteristics as a growth-oriented export platform and its trading-oriented business nature. The market Approach is more difficult to comprehensively and accurately reflect the unique business model of Target Company and its scalable growth trend. Compared with the Income Approach, the valuation result of the Market Approach is less capable of comprehensively and accurately reflecting business model and scalable growth trend of Target Company. Hence, we consider that the adoption of Income Approach is reasonable and in the interest of the Company and its shareholders.

Based on our discussion with the CEA, we note that it is a market practice to adopt the Income Approach result as the final valuation for projects where both the Income Approach and the Market Approach are applied. To verify the conclusion, we have searched public information on best effort and obtained 11 cases over the past two years that satisfy the following three conditions: (i) both the Income Approach and the Market Approach were adopted for the Asset Valuation Report; (ii) the value of the target interest derived from the Market Approach was higher than that from the Income Approach; and (iii) the Income Approach result was deemed as the final valuation.

We conducted a verification about the estimations and assumptions in Income Approach by discussion with the Management and review the supporting documents of Valuation Repot, we note that the estimations and assumptions are based on the operation and strategic plan, current business and consistent accounting policies, which we consider is reasonable and quantifiable.

Review by auditors and the Directors

Based on our discussion with CEA, the Income Approach Valuation is derived from the discounted cash flow forecast (the "**Forecast**") for the perpetual period, which can be valued as value of operating asset, and the book value of assets and liabilities of the Target Company as at the Valuation Benchmark Date. Whole perpetual period can be divided into two parts: (i) detailed forecast period, which is from **October 2025 to December 2030** (the "**Forecast Period**") and (ii) perpetual period (the "**Perpetual Period**") after detailed forecast period. Value of operating assets will be calculated by value in Forecast Period and value in Perpetual Period. And With reference to the comfort letters included in Appendices II and III in this Circular, we understand that (i) Ernst & Young, the auditors of the Company has checked the arithmetical accuracy of the calculations of the discounted cash flow forecast and so far as the calculations are concerned, the discounted cash flows have been properly complied in all material respects, in accordance with the assumptions set out in the Income Approach Valuation; and (ii) the Company has confirmed that the cash flow forecast has been prepared by the Directors after due and careful enquiry, who are solely responsible for the cash flow forecast.

Financial forecast and other relevant assumptions

We note that CEA has considered and relied to a considerable extent on the financial (net cash flow) forecast when preparing the Income Approach Valuation. In order to review and understand the fairness, reasonableness and completeness of the relevant assumptions and projections used in the Income Approach Valuation, we have performed the following steps:

a) discussed with CEA and reviewed on the major items of the projection (including but not limited to the forecasted revenue, cost of goods sold, other operating costs) of the Target Company;

b) reviewed the Forecast built by CEA and the related breakdowns;

c) reviewed the historical financial reports of the Target Company for FY2022, FY2023, FY2024 and 9M2025 and reviewed other relevant assumptions under the Income Approach Valuation;

d) reviewed the strategic plan and estimation of the Management; and

e) Verified the fairness and reasonableness of the Forecast.

Based on our discussion with CEA and our review of the Forecast, we understand that:

a) the projected annual revenue is derived from global sales of automotive whole vehicles and auto parts and components.

b) the projected operating costs of the Target Company is primarily based on the historical costs and the management estimation;

c) the capital expenditures during the Forecast Period are primarily based on operating plan;

d) the corporate income tax rate of 25% was applied as reference to the applicable income tax rate in China;

e) the projected working capital is mainly made with reference to the historical working capital for maintaining the operation of the Target Company; and

f) the profit and cash flow forecast is prepared with reference to the current accounting policies adopted for the Target Company which means accounting policies adopted by Target Company after the Valuation Benchmark Date will remain consistent in all material aspects with those adopted in the preparation of the Asset Valuation Report as assumption.

Value of operating assets in Forecast Period

Based on our discussion with CEA and our review of the Forecast, value of operating assets of Target Company in Forecast Period are determined by the following influence factors:

Revenue in Forecast Period

Sales volume of Finished Vehicles

To assess the fairness and reasonableness of the forecasted revenue, we have discussed with the Management and CEA, obtained the workings of the Valuation from CEA and analyzed the forecast individually. We note that based on different assumptions, forecasting logic and forecasting methods, forecast of sales volume in Forecast Period can be further divided into 3 subperiods:

(i) FY2025Q4

Based on our discussion with CEA and the Management and our review of the forecast, we note that the sales amount maintained significant growth after the restructuring of the Management structure of Target Company. In detail, the actual sales volume of October is approximately 1.75 times the average sales volume of

January to September in 2025. We have reviewed the actual sales performance of November 2025, the sales plan of December 2025 and unexecuted orders of the Target Company. The actual sales volume of November is approximately 1.52 times the average sales volume of January to September in 2025. The sales plan is calculated by 3.52 times of normal 1.47 times of supplementary sales volume, which are caused by supply shortages of the hybrid transmission for the B30 model and the wheel speed sensors for the C52X model. We note that sales volume in Q4 2025 will be consistent with Forecast. And unexecuted orders of the target company are over forecasting sales volume of 2025Q4, which enhance the achievability of the Forecast.

To provide further analysis on the fairness and reasonableness for the Forecast in FY2025 Q4, we reviewed the historical financial figures of the Target Company for 2023Q4 and 2024Q4.

We note that percentage of Q4 revenue is 31.93% in FY2023 and in 32.38% FY2024. Based on the Forecast, percentage of Q4 revenue will increase to 47.5%. Hence, we consider that the Forecast of 2025Q4 is reasonable.

(ii) FY2026 and FY2027

Based on our discussion with CEA and our review of the forecast, we note that the forecast of sales volume is based on strategic plan and three-year business plan of Target Company with details covering the sales volume, vehicle models and growth rate by systematic analysis about (i) local market capacity, (ii) growth curve of Chinese-branded vehicles, (iii) brand of BAIC, (iv) local supply and demand situation, and (v) strategic supporting resources from BAIC Group the in each sales region.

The Management of the Target Company believes that the three-year business plan has strong feasibility in FY2026 and FY2027.

To provide further analysis on the fairness and reasonableness for the Forecast in FY2026 and FY2027, we reviewed (i) strategic plan, (ii) sales forecasting by models and (iii) corresponding evidence. and discussed with the Management. We note that Forecast is derived from (i) research on industry development and the market, (ii) analysis and judgment regarding the development strategy, (iii) target market selection, and (iv) product launch and marketing strategies. The forecasting sales volume is driven by (i) the transition and development of new energy automotive industry; (ii) the opportunity of right-hand drive vehicle for Chinese automotive brand and model; (iii) the development of emerging market of automotive industry, such as the GCC(Gulf Cooperation Council) Region, Southeast Asia, Southern Africa, Mexico, Brazil, ANZ (Australia and New Zealand), which are identified as strategic or priority regions by the Target Company; (iv) the opportunity of location integration between Chinese Brand and locational enterprise in the automotive value chain; and (v) the opportunity of intelligent technology. In detail, sales volume of FY2026 is mainly driven by the growth of existing models and mature regions. Sales volume of FY2027 is mainly driven by international model and newly developed regions. We note that the forecasting CAGRs of 2027FY to 2028FY are among 28% to 58% in mature regions, (including Europe Region, Gulf and North Africa Region, Central and South America Region, Central and West Asia Region, Asia-Pacific Region and Southern Africa Region) and 191% to 415% in newly developed regions (including Mexico Region, Australia-New Zealand Region and Other Region) due to comprehensive improvement of sales volume of all vehicle models. For comparison, the estimated sales volume of Target Company in FY2025 is expected to increase by approximately 91% compared with FY2024. In details, we note that the vast majority of CAGR of ales volume of sales volume of already launched models ranges from -15% to 30%, while the growth rate of newly launched models is relatively higher, which we consider is relatively consistent with the strategic plan of the Target Company and reasonable for an oversea sales platform with a well-known Chinese automotive brand.

(iii) FY2028 to FY2030

Based on our discussion with CEA and our review of the forecast, we note that the forecast of sales volume is based on the (i) forecasting result in strategic plan and three-year business plan, (ii) Estimate of the market capacity by the Management, (iii) Estimate of market share of Chinese-branded vehicles by the Management, and (iv) Estimate of BAIC's market share among Chinese-branded vehicles. Accordingly, appropriate adjustments of sales volume in forecast have been made by CEA and have been reflected in the Asset Valuation Report.

To provide further analysis on the fairness and reasonableness for the Forecast in FY2028 to FY2030, we reviewed the forecast on the market size and target market share of BAIC's brand and corresponding evidence from the Management. According to the forecast, the total volume of finished passenger vehicles will be under a slight growth, and the proportion of Chinese brand will be under a rapid growth from 3% on 2025 to 13% on 2030, which indicates that Chinese brands will achieve a CAGR of at least 34% by the forecast. We note that forecasting CAGR of total volume is 29% and the forecasting CAGR of total volume decreases to 16% and forecasting CAGRs decrease to -5% to 53% by regions in FY2028 to FY2030. We consider the forecasting of sales volume of finished vehicles is fair and reasonable in FY2028 to FY2030.

Based on our discussion with CEA and our review of the forecast, we note that total forecasting growth from FY2024 to FY2030 of sales volume is approximately 180 thousands. The contribution of total sale volume growth from FY2024 to FY2030, in descending order are as follows by regions: (i) Central and South America Region, (ii) Europe Region, (iii) Asia-Pacific Region, (iv) Central and West Asia Region with, (v) Gulf and North Africa Region, (vi) Other Regions, (vii) Southern Africa Region, (viii) Australia-New Zealand Region and (ix) Mexico Region. Furthermore, The proportion of contribution of total sale volume growth of mature regions is approximately 80%, which of newly developed regions is 20%. The proportion of the forecasting contribution is relatively consistent with the forecasting global market expectations and strategic plan of the Target Company, which we consider reasonable.

TASP (Target Average Selling Price) and Other Revenue

Based on our discussion with CEA and our review of the forecast, the forecasting revenue are influenced by (i) sales volume of finished vehicles, (ii) TASP of finished vehicle and (iii) other revenue such as domestic auto spare parts sales. Sales volume of finished vehicles is the most core influence factor and has been analyzed. TASP of most model will be remaining basically stable with a 0%-1%, annualized decrease in Forecasting Period by regions, due to (i) historical price trajectory; (ii) product structure; (iii) target gross profit and cost structure; (iv) competitive landscape; and (v) brand value. Other revenue will be a relatively small proportion, maintaining a range of 1.5% to 1.6% in Forecasting Period.

Operating Costs in Forecast Period

Direct Cost

Based on our discussion with CEA and our review of the forecast, we note that the forecast of direct costs of the Target Company is determined by (i) recent procurement price, (ii) incorporates judgments on market price trends, (iii) the unit procurement costs of vehicle models, (iv) characteristics of different regional markets, (v) vehicle model categories, (vi) differentiated gross profit margins, (vii) and changes in business structure. The business model, which is mentioned above, of Target Company is relatively easy to understand. The main cost of Target Company lies in the procurement costs of finished vehicles. We reviewed historical financial figures and the forecasting direct cost in Forecast and note that average procurement cost per finished vehicle will be remaining basically stable in historical finance year and Forecasting Period by regions and models.

Operating Expenses and Other Cost

Based on our discussion with CEA and our review of the forecast, we note that the forecast of sales expenses is determined by (i) personal structure, (ii) forecasting salary levels, (iii) the historical proportions, (iv) development trends. Based on our discussion with CEA and our review of the Asset Valuation Report, we note that administrative expenses will be accounted as a part of sales expenses from FY2025. CEA does not conduct a separate forecast of administrative expenses. We reviewed historical financial figures and Forecast and note that the proportion of (i) sales expenses to revenue, (ii) financial expenses to revenue and (iii) the proportion of each item of sales expenses to total sales expenses are basically stable in historical finance year and Forecast Period by regions and models.

We note that the proportion of depreciation and amortization, tax, surcharges, and others accounting items to revenue in the Forecast are relatively stable with the financial information of the Target Company for FY2023, FY2024 and 9M2025 we obtained from the Management.

Gross Profit Margin

The gross profit margins during the Forecast Period ranged from 10.56% to 11.78%. For comparison purposes, we calculated the gross profit margins of the Target Company for FY2023, FY2024 and 9M2025, being approximately 14.88%, 8.16% and 10.46% respectively. The average unit cost, which are derided by average procurement price, are at the basically stable with a 0%-1% annualized decrease in Forecasting Period. In addition, based on our discussion with CEA and our review of the forecast, we note that the TASP and average unit cost are both remaining basically stable in Historical and Forecast Period, which render the consistency and stability of gross profit margin. We also note that the estimated operating costs and gross profit margin during the Forecast Period is relatively stable given the assumptions as mentioned above.

Capital expenditures, depreciation and amortization in Forecast Period

Based on our discussion with the Management and CEA and our review of the forecast, we understand that the Target Company is an overseas trade platform which are relatively asset-light. No further significant capital expenditure, depreciation and amortization will be input. We note that CEA adopted the current accounting policies for the forecast of depreciation and amortization in the Forecast Period.

Working Capital in Forecast Period

We have reviewed the Financial Information and note that the projected working capital is mainly made reference to the historical working capital for maintaining the operation of the Target Company.

Based on the above, we are of the view that the net cash flow is fair and reasonable.

Discount rate in Forecast Period

For the Forecast Period, the discount rate is approximately 8.55% which is derived by CEA through the Weighted Average Cost of Capital Model (the "**WACC Model**").

To assess the parameters adopted in the calculation of discount rate, we conducted the following works, including review data published by relevant experts or scholars, seek for various valuation standards/guidelines, collect data for the calculation of relevant parameters.

The cost of equity capital was determined based on the Capital Asset Pricing Model (the "**CAPM Model**"), by utilizing (a) the risk-free rate of return of 1.86% with reference to 10-year government bond yield in China as of the Valuation Benchmark Date from Wind Financial Terminal; (b) the market risk premium of 6.76% with reference to comprehensive analysis of the weighted average of annualized weekly return rates from 1992 to Valuation Benchmark Date, which is based on stock price indices of Shanghai and Shenzhen exchange; and (c) the company specific risk premium of 1.50% was based on empirical judgment and analysis of CEA.

In arriving at the beta being adopted in the CAPM Model, CEA has selected 9 companies which are primarily engaged in similar business operation and listed on the stock exchanges in China. We have reviewed the background of these comparable companies and noted that the core businesses of these comparable companies are in same industry as the Target Company, we are of the view that these comparable companies are fair and representative samples. Moreover, the unleveraged beta derived from the said comparables has been further adjusted to derive the leveraged beta based on the debt level of the Target Company at the end of each year during the Forecast Period. We note that the calculation of beta is in line with the Asset Appraisal Expert Guideline No. 12 – Calculation of Discount Rate in Income Approach Appraisal of Enterprise Value (《資產評估專家指引第12號–收益法評估企業價值中折現率的測算》, the "**Expert Guideline No. 12**") promulgated by the China Appraisal Society.

In respect of the cost of debt, we note that CEA has adopted the cost of debt of 2.15%, which was determined with reference to the interest rates of the Target Company's existing borrowings.

Based on the above, we are of the view that the WACC Model (i.e. the discount rate) adopted by CEA is justifiable.

Value of operating assets in Perpetual Period

Based on our discussion with CEA and our review of the forecast, we note that the value of operating assets is calculated by two parts: (i) the value of operating assets in Forecast Period, which we are of the view is fair and reasonable as mentioned we are of the view that the net cash flow is fair and reasonable and (ii) the value of operating assets in Perpetual Period. The value of operating assets in Perpetual Period is determined by (i) cash flow forecast in the last financial year of Forecasting period (FY2030) with comprehensible adjustment in capital expenditures, depreciation and amortization, and working capital by CEA and (ii) Discount rate, which is the same with Forecast Period and determines the future value factor (FVF) of valuation in Perpetual Period.

With reference to the Asset Valuation Report, the determination of a 0% perpetual growth rate in the Valuation does not negate the possibility of any future development during the perpetual period. Rather, it adheres to the prudential principles of valuation by excluding long-term growth potential that cannot be reliably quantified from the perpetual period valuation. This assumption ensures that the income approach valuation results are determined based on are liable forecast basis, constitutes a prudent valuation benchmark for the present valuation conclusion, and conforms to established industry practice.

Based on our discussion with CEA, we note that in practice of Chinese Valuer, the perpetual growth rate for stable phase is set to 0, while a non-zero perpetual growth rate is typically considered only for financial enterprises. To verify the conclusion of CEA, we have searched the public information on best effort and obtained 23 cases in the past two years in which that the perpetual growth rate was set 0%.

Calculation of total value of shareholders' equity of the Target Company

We note that the total value of shareholders' equity of the Target Company is calculated based on the overall corporate value minus interest bearing debts of the Target Company. The overall corporate value is equal to the value of operating assets determined with reference to the Forecast plus the value of surplus assets and non-operating assets of the Target Company.

Based on our review the valuation workings of CEA, the value of surplus assets, non-operating assets and interest-bearing debts were calculated based on the audited financial information of the Target Company as at the Valuation Benchmark Date.

General Assumptions

In addition, CEA advised that the general assumptions used in the Income Approach Valuation including but not limited to no material change in the existing political, economic, social, legal, tax conditions where the Target Company's business is currently in operation are common assumptions adopted in various business. Based on the work performed as set out above, we are not aware of any factors which would cause us to doubt the fairness and reasonableness on the relevant assumptions and projections used in the Income Approach Valuation.

Our opinion

We consider we have made adequate assessment on the Valuation in respect to the Asset Valuation Report and CEA. We are not aware of any factors which would cause us to doubt the fairness and reasonableness of the Valuation and we consider that the Valuation forms a fair and reasonable determination basis for the Company Interest.

5. Possible financial effects of the Disposal

The financial effects of the Disposal set out below are purely for illustrative purpose only and do not reflect the future financial position of the Company after the Completion.

After completion of the Disposal, BAIC International will be owned as to 51% by BAIC Group and 49% by the Company, and BAIC International will cease to be a subsidiary of the Company and its financial results will no longer be consolidated in the Group's accounts.

Based on the Letter from the Board, with reference to the Initial Consideration of the Equity Interests under the Equity Acquisition Agreement, the Company expects to recognise a pre-tax disposal gain of approximately RMB2.2 billion before costs and expenses in relation to the Disposal. The actual gain or loss on the Disposal to be recorded by the Company will depend on the Completion Consideration (as adjusted from the Initial Consideration after the Management Accounts Adjustment) and as further adjusted by Audited Accounts Adjustment, and the actual consolidated net asset value of the Target Company as at the Completion Date.

The above possible financial effects are for illustrative purposes only. The actual financial effects in connection with the Disposal may be different from the above and will be determined based on the financial position of the Target Company as at the Completion Date.

The Company intends to utilise the net proceeds from the Disposal to strengthen the general working capital of the Company and actively promote the development of the Company's business, so as to enhance the Company's core competitiveness and development capabilities.

We consider the disposal gain of approximately RMB2.2 billion before costs and expenses in relation to the Disposal is beneficial to the financial performance of the Company. Furthermore, the cash proceeds from Disposal, which is fully settled by cash, will also provide more resources for the Company to proceed with its strategic development. We consider the financial effects of the Disposal is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered of the above principal factors and reasons, we consider that although the Equity Acquisition Agreement and the Disposal contemplated thereunder are not entered into under the ordinary and usual course of the business of the Company, the Equity Acquisition Agreement is on normal commercial terms, are fair and reasonable and the Disposal are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Equity Acquisition Agreement and the Disposal contemplated thereunder at the EGM.

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 I (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.