

30 November 2021

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

**SHARE TRANSACTION AND CONNECTED TRANSACTION IN RELATION
TO THE ACQUISITION INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 30 November 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 18 October 2021, as part of the business strategic planning of the Group, the Company entered into a Framework Agreement with Geely Group Limited pursuant to which the Company proposed to acquire 220,000,000 ordinary shares of ZEEKR from Geely Group Limited for a consideration to be agreed between the parties. Following the Framework Agreement, on 29 October 2021, the Company, as the Purchaser, and Geely Group Limited, as the Seller, entered into the Share Purchase Agreement, pursuant to which Geely Group Limited conditionally agreed to sell, and the Company conditionally agreed to purchase or cause its nominee to purchase, the Sale Shares, representing approximately 10.34% of the issued share capital of ZEEKR as at the Latest Practicable Date (on an As-Converted Basis) and approximately 9.66% of the enlarged issued share capital of ZEEKR (on a Fully Diluted and As-Converted Basis). The Consideration payable by the Purchaser for the Acquisition is approximately RMB5,602.2 million. The Purchaser will settle the Consideration as to approximately RMB1,807.4 million by cash and as the remaining amount (equivalent to approximately RMB3,794.8 million or HK\$4,584.2 million) by the allotment and issuance of the 196,410,000 Consideration Shares at the Issue Price of HK\$23.34 per Consideration Share. The Consideration Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

Immediately after Closing, the Company will hold approximately 58.31% of the issued share capital of ZEEKR (on an As-Converted Basis) and approximately 54.47% of the enlarged issued share capital of ZEEKR (on a Fully Diluted and As-Converted Basis), while Mr. Li and his associates (other than the Company) will hold approximately 17.87% of the issued share capital of ZEEKR (on an As-Converted

Basis) and approximately 16.69% of the enlarged issued share capital of ZEEKR (on a Fully Diluted and As-Converted Basis). ZEEKR will remain a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated with the consolidated financial statements of the Group.

As at the Latest Practicable Date, Geely Group Limited is wholly owned by Mr. Li, who is an executive Director and a substantial shareholder of the Company. Geely Group Limited is therefore a connected person of the Company under the Listing Rules. Accordingly, the Share Purchase Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but all of the applicable percentage ratios are below 5%, and the Consideration will be partially satisfied by the allotment and issuance of the Consideration Shares for which the listing will be sought, the Acquisition also constitutes a share transaction for the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders with respect to the Acquisition.

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparty of the Acquisition or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for (i) the appointment as the independent financial adviser in relation to the Acquisitions, the Ningbo Viridi Subscription and the Continuing Connected Transactions as disclosed and defined in the circular of the Company dated 5 August 2021; (ii) the appointment as the independent financial adviser in relation to certain continuing connected transactions of the Group as disclosed in the circular of the Company dated 16 November 2021; and (iii) this appointment as the independent financial adviser in relation to the Acquisition, we did not have any other relationship with or interests in the Company, the counterparty of the Acquisition or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Company that could reasonably be regarded as hindrance to our independence as defined under the Listing Rules. Accordingly, we consider we are eligible to give independent advice on the terms of the Acquisition.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the counterparty of the Acquisition or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background and principal terms of the Acquisition

1.1. Background of the Acquisition

As set out in the Announcement, as one of the industrial pioneers in the field of electrified and intelligentized vehicles, the Company has begun, through forming ZEEKR with Geely Holding, to engage in the research and development, purchase and sale of electric mobility related products such as intelligent electric vehicles under the ZEEKR Brand. In addition, in August 2021, the Pre-A Share Purchase Agreement was entered into among ZEEKR and five independent investors, in relation to the agreement on allotting and issuing the Pre-A Preferred Shares.

On 18 October 2021, as part of the business strategic planning of the Group, the Company entered into a Framework Agreement with Geely Group Limited pursuant to which the Company proposed to acquire 220,000,000 ordinary shares of ZEEKR from Geely Group Limited for a consideration to be agreed between the parties.

Following the Framework Agreement, on 29 October 2021, the Company, as the Purchaser, and Geely Group Limited, as the Seller, entered into the Share Purchase Agreement, pursuant to which Geely Group Limited conditionally agreed to sell, and the Company conditionally agreed to purchase or cause its nominee to purchase, the Sale Shares, representing approximately 10.34% of the issued share capital of ZEEKR as at the Latest Practicable Date (on an As-Converted Basis) and approximately 9.66% of the enlarged issued share capital of ZEEKR (on a Fully Diluted and As-Converted Basis).

The Consideration payable by the Purchaser for the Acquisition is approximately RMB5,602.2 million. The Purchaser will settle the Consideration as to approximately RMB1,807.4 million by cash and as to the remaining amount (equivalent to approximately RMB3,794.8 million or HK\$4,584.2 million) by the allotment and issuance of the 196,410,000 Consideration Shares at the Issue Price of HK\$23.34 per Consideration Share. The Consideration Shares will be allotted and issued under the Specific Mandate to be sought at the EGM. An application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

Immediately after Closing, the Company will be interested in approximately 58.31% of the issued share capital of ZEEKR (on an As-Converted Basis) and approximately 54.47% of the enlarged issued share capital of ZEEKR (on a Fully Diluted and As-Converted Basis),

while Mr. Li and his associates (other than the Company) will hold approximately 17.87% of the issued share capital of ZEEKR (on an As-Converted Basis) and approximately 16.69% of the enlarged issued share capital of ZEEKR (on a Fully Diluted and As-Converted Basis). ZEEKR will remain a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated with the consolidated financial statements of the Group.

1.2. Principal terms of the Share Purchase Agreement

Date

29 October 2021

Parties

- (1) Geely Group Limited as the Seller
- (2) The Company as the Purchaser

Subject matter

Pursuant to the Share Purchase Agreement, the Purchaser or its nominee (which will be a subsidiary of the Company), has agreed to purchase, and the Seller has agreed to sell, the Sale Shares subject to the fulfillment of the conditions precedent and the relevant terms and conditions set out in the Share Purchase Agreement.

Consideration

Pursuant to the Share Purchase Agreement, the Consideration is approximately RMB5,602.2 million and will be satisfied by the Company in the following manner:

- (i) as to approximately RMB1,807.4 million, which is approximately 32.3% of the Consideration, to be satisfied in cash; and
- (ii) as to the shares component of the Consideration (equivalent to approximately RMB3,794.8 million or HK\$4,584.2 million), which is approximately 67.7% of the Consideration, to be satisfied by the Company allotting and issuing 196,410,000 Consideration Shares at the Issue Price of HK\$23.34 per Consideration Share to the Seller (or the Seller's nominee). The Issue Price is based on the average closing price of approximately HK\$23.34 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 18 October 2021, being the date of the Framework Agreement.

The cash component of the Consideration will be funded by internal resources of the Group and, to the extent permitted under applicable laws and regulations, will be fully paid to the Seller (or the Seller's nominee) no later than 90 days after the Closing Date.

The original acquisition cost of the Sale Shares to the Seller was RMB220 million.

Conditions precedent

Closing is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the section headed “Conditions Precedent” in the Letter from the Board.

Closing

Closing shall take place on the tenth (10th) Business Day following the fulfilment (or waiver if applicable) of the conditions precedent or such other date as the parties to the Share Purchase Agreement shall agree in writing.

Immediately after Closing, the Company will hold approximately 58.31% of the issued share capital of ZEEKR (on an As-Converted Basis) and approximately 54.47% of the enlarged issued share capital of ZEEKR (on a Fully Diluted and As-Converted Basis), while Mr. Li and his associates (other than the Company) will hold approximately 17.87% of the issued share capital of ZEEKR (on an As-Converted Basis) and approximately 16.69% of the enlarged issued share capital of ZEEKR (on a Fully Diluted and As-Converted Basis). ZEEKR will remain a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated with the consolidated financial statements of the Group.

1.3. Shareholding structure of the Company upon Completion

The following table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately following Completion and the allotment and issuance of the Consideration Shares, assuming that no other further Shares will be allotted and issued after the Latest Practicable Date and prior to the Closing:

Shareholders of the Company	As at the Latest Practicable Date		Immediately following Completion and the allotment and issuance of the Consideration Shares	
	Shares	%	Shares	%
Mr. Li and his associates ¹	4,042,618,000	41.16	4,239,028,000	42.32
Other Directors ²	41,307,000	0.42	41,307,000	0.41
Public Shareholders	5,737,111,540	58.42	5,737,111,540	57.27
Total	<u>9,821,036,540</u>	<u>100</u>	<u>10,017,446,540</u>	<u>100</u>

Notes:

1. Proper Glory Holding Inc., Zhejiang Geely Automobile Company Limited, Shanghai Maple Automobile Company Limited, Geely Holding, Geely International (Hong Kong) Limited, Mr. Li and Geely Group Limited, which held approximately 26.85%, 8.11%, 2.99%, 2.41%, 0.56%, 0.24% and 0.001% Shares, respectively, as at the Latest Practicable Date.
2. Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence, Mr. Gui Sheng Yue, Mr. Lee Cheuk Yin, Dannis, Mr. Li Dong Hui, Daniel, Mr. Wang Yang and Mr. Yang Jian, who held approximately 0.08%, 0.04%, 0.18%, 0.01%, 0.05%, 0.01% and 0.06% Shares, respectively, as at the Latest Practicable Date.

2. Information of the Company and the Seller

2.1. Background of the Company and the Seller

The Group

The Group is principally engaged in the research and development, manufacturing and trading of automobiles, automobile parts and related automobile components, and investment holding.

Geely Group Limited

Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is wholly owned by Mr. Li. Geely Group Limited is principally engaged in investment holding.

2.2. Historical financial performance of the Group

Set out below is a summary of the financial results of the Group for the years ended 31 December 2019 and 2020 (“FY2019” and “FY2020”) and the six months ended 30 June 2020 and 2021 (“1H2020” and “1H2021”) as extracted from the respective financial reports.

	FY2019	FY2020	1H2020	1H2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
- Sales of automobiles and related services	91,843	83,814	33,721	39,312
- Sales of automobile parts and components	5,130	6,989	2,675	4,636
- Research and development and related technological support services	-	745	-	447
- Licensing of intellectual properties	428	566	424	637
Total revenue	97,401	92,114	36,820	45,032
Gross profit	16,917	14,737	6,302	7,759
Profit attributable to equity holders	8,190	5,534	2,297	2,381

1H2021 vs 1H2020

As disclosed in the interim report of the Group for 1H2021, the Group sold a total of 630,237 units of vehicles in 1H2021, representing an increase of approximately 19% from 1H2020, and the export sales volume of the Group surged by approximately 173% to 53,422 units in 1H2021. Total revenue of the Group increased by approximately 22% to approximately RMB45.0 billion in 1H2021 as compared to 1H2020. Gross margin ratio in 1H2021 was relatively stable as the impact from higher raw materials costs was largely offset by improving product mix. The approximately 22% increase in administrative expenses (excluding share-based payments) during the period was primarily attributable to the increase in amortisation expenses as a result of substantial investment in research and development over the past years. Despite the inclusion of share-based payments amounted to approximately RMB641 million under staff costs during the period, profit attributable to the equity holders of the Company in 1H2021 was still up approximately 4% to approximately RMB2.38 billion as compared

to 1H2020. Excluding share-based payments, the profit attributable to the equity holders of the Company was up approximately 31% to approximately RMB3.02 billion during the period.

FY2020 vs FY2019

As disclosed in the annual report of the Group for FY2020, the Group sold a total of 1,320,217 units of vehicles in 2020, down 3% from 2019 and the total revenue decreased by 5% to RMB92.1 billion in 2020. Despite a 19% year-on-year decline in its overall sales volume in the first half of 2020, the Group's sales volume rebounded strongly in the second half of 2020, up 11% from the same period of the previous year. On the other hand, the export sales volume of the Group increased significantly by 25% to 72,691 units in 2020. Gross margin, however, was affected by higher discounts and incentives offered to dealers during the national lockdown in the earlier part of the year. The selling and distribution expenses during the year were kept at relatively high levels to maintain the competitiveness of the Group's dealers in a highly competitive market. The 13% increase in administrative expenses during the year was primarily due to the increase in total expenses in relation to the research and development activities. As a result, the Group's profit attributable to equity holders decreased by 32% to RMB5.5 billion in 2020.

2.3. Financial position of the Group

Set out below is a summary of the financial position of the Group as at 30 June 2021 as extracted from its interim report for 1H2021.

	As at 30 June 2021
	<i>RMB million</i>
	(Unaudited)
Non-current assets	59,055
Current assets	49,744
Non-current liabilities	4,828
Current liabilities	38,402
Net assets	65,569

As at 30 June 2021, total assets of the Group amounted to approximately RMB108.8 billion, which mainly comprised (i) trade and other receivables of approximately RMB26.5 billion, (ii) property, plant and equipment of approximately RMB26.3 billion, (iii) bank balances and cash of approximately RMB19.8 billion, and (iv) intangible assets of approximately RMB18.3 billion.

As at 30 June 2021, total liabilities of the Group amounted to approximately RMB43.2 billion, which mainly comprised (i) trade and other payables of approximately RMB38.5 billion, (ii) bank borrowings of approximately RMB1.9 billion, and (iii) bonds payable of approximately RMB1.9 billion.

As at 30 June 2021, the Group recorded net assets of approximately RMB65.6 billion.

3. Information of ZEEKR

3.1. Background information of ZEEKR

ZEEKR is a limited liability company established in the Cayman Islands and is indirectly owned as to approximately 47.97% by the Company as at the Latest Practicable Date. ZEEKR was set up by the Company and Geely Holding with capital contribution of RMB2 billion in total. ZEEKR is principally engaged in the research and development, purchase and sale of electric mobility related products such as intelligent electric vehicles under the ZEEKR Brand and the provision of service relating thereto.

3.2. Historical financial performance and financial position of ZEEKR

Set out below is the unaudited financial information of ZEEKR prepared under HKFRS for the period from the date of incorporation to 31 August 2021:

	For the period from the date of incorporation to 31 August 2021 RMB thousand (Unaudited)
Revenue	-
Selling expenses	(128,924)
Administrative expenses	(13,847)
Research expenses	(596)
Other operating expenses	(215)
Investment income in associates and joint ventures	1,152
Finance income, net	(363)
Loss before tax	(142,793)
Tax credit	35,800
Net loss	(106,993)

Since its incorporation and up to 31 August 2021, ZEEKR recorded a net loss of approximately RMB107.0 million as the delivery of its vehicles will only commence in October 2021.

As at 31 August 2021, the unaudited total assets and net assets of ZEEKR were approximately RMB5,256.0 million and RMB1,893.4 million, respectively.

3.3. Outlook of the electric vehicle market in China

Electric vehicles in China have seen rapid development due to government initiatives, increasing charging infrastructure, and increasing manufacturing companies. With rapid urbanisation and an increase in vehicle sales, China is determined to reduce exhaust emissions from vehicles. According to 《新能源汽车产业发展规划(2021—2035年)》 published by the Chinese government in October 2020, the country targets to increase the proportion of new electric vehicle sales to approximately 20% of the total new vehicle sales in 2025. Additionally, some cities and provinces are imposing more stringent restrictions on combustion engine vehicles. Also, the Chinese government has provided tax incentives on the purchase of electric vehicles. Such measures are expected to drive the demand for electric vehicles in the country. According to the vice general secretary of China Association of Automobile Manufactures, the electric vehicle sales growth in China is expected to be above 40% annually in the next five years.

Taking into account the above, the electric vehicle market in China is expected to continue to grow and support the overall development of the Group through increasing its shareholding in ZEEKR.

4. Reasons for and benefits of the Acquisition

4.1. The showcase of the Company's determination in pioneering electrified and intelligentized vehicles

As a determined industrial pioneer in the field of electrified and intelligentized vehicles, the Company has been actively promoting electric vehicles. In March 2021, the Company announced the joint establishment of ZEEKR with Geely Holding to engage in the research and development, purchase and sale of the electric mobility related products such as intelligent electric vehicles under the ZEEKR Brand and the provision of service relating thereto.

ZEEKR Brand is the first premium electric vehicle brand of the Group. Unlike other traditional automobile corporations, ZEEKR operates with high autonomy and thoroughly consolidates the initial layout and incubated intelligent and electrified technologies of the Geely Holding. ZEEKR strategically lays out the intelligent electric vehicles and its upstream and downstream industrial chain to further improve the users' experience and customer satisfaction with digitalized and intelligentized services. ZEEKR proposes to focus on the research and development of such advanced technologies like technologies used for electric vehicles, technologies used for "power batteries, electric engines and electronic control systems" and other relevant upstream and downstream technologies for intelligent electric vehicles. The formation of ZEEKR in March 2021 with the Company owning 51% equity interests has demonstrated the determination of the Company in fostering vehicle electrification.

4.2. The Company as a holder of brand and products with strong potentials

The first vehicle model of ZEEKR, which is developed under the state-of-the-art open-source electric vehicle architecture owned by Geely Holding, has been introduced to the market in April 2021. With the possession of advantages in car performance and energy

supplemental systems, the market demand of the first vehicle model of ZEEKR has exceeded expectations, representing the strength of ZEEKR's brand and products. Based on its current business plan, ZEEKR is progressively introducing new models to the market and aiming at capturing significant market share of the global high-end electric vehicle industry, which is expected to provide growth momentum to the Group in the future.

4.3. Success in capturing strategic capital market interest to realize future business development

As an independently operating intelligentized automobile company, ZEEKR has been actively exploring external financing sources, for the sustainable development of its future business operations. As stated in the Company's announcement dated 27 August 2021, ZEEKR has carried out its Pre-A Round Financing, with five independent investors from backgrounds including autopilot chips, battery and new consumers industries. On the one hand, the five independent investors of the Pre-A Round Financing are all strategic partners of ZEEKR, and their introduction to ZEEKR enhance the business ideas on full-scale coverage of ZEEKR. On the other hand, the success of the Pre-A Round Financing is also a showcase of recognition from the industry in ZEEKR's long term development.

4.4. Benefits to the overall development of the Company

In the course of seeking external financing for ZEEKR, the Company has been maintaining its position as the largest controlling shareholder of ZEEKR so as to maximize the interests of the Shareholders. The Acquisition will be able to offset the dilutive effect of the Pre-A Round Financing and other potential equity financings of ZEEKR in the future, which will be conducive to the overall development of the Company through increasing its shareholding in ZEEKR. Also, the issuance of the Consideration Shares as part of the Consideration represents the confidence of the Controlling Shareholder in the prospect of the Company's development, while reserving cash for business operations.

Our view

In view of the above, in particular (i) the Company's determination in pioneering electrified and intelligentized vehicles; (ii) the potential of ZEEKR to capture significant market share of the global high-end electric vehicle industry, which is expected to provide growth momentum to the Group in the future; (iii) the success of the Pre-A Round Financing being a showcase of recognition from the industry in ZEEKR's long term development; and (iv) the Acquisition will be able to offset the dilutive effect of the Pre-A Round Financing and other potential equity financings of ZEEKR in the future, we concur with the view of the Directors that the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5. The Consideration

As set out in the Letter from the Board, the Consideration was determined after arm's length negotiations between the parties based on (i) the number of Sale Shares of ZEEKR; and (ii) the value of ZEEKR of US\$9.0 billion (equivalent to approximately RMB57.97 billion), representing US\$3.95348 (equivalent to approximately RMB25.46) per Sale Share on a Fully Diluted and As-Converted Basis, with reference to the following information:

- (i) the post-money valuation of approximately US\$9.0 billion of ZEEKR based on the consideration agreed among ZEEKR and five independent investors in the Pre-A Share Purchase Agreement and the enlarged issued share capital of ZEEKR (on a Fully Diluted and As-Converted Basis); and
- (ii) the appraised value of ZEEKR of approximately US\$9.05 billion (equivalent to approximately RMB58.28 billion) as at 31 August 2021 based on the valuation conducted by the Valuer. As at 31 August 2021, ZEEKR has not recognised any revenue or delivered any ZEEKR Brand vehicles to its customers.

The valuation of ZEEKR implied by the Consideration for the Sale Shares representing approximately 9.66% of the enlarged issued share capital of ZEEKR (on a Fully Diluted and As-Converted Basis) is approximately RMB58.0 billion (equivalent to approximately US\$9.0 billion) (on a Fully Diluted and As-Converted Basis) (the **"Implied Valuation"**).

5.1. Background of the Pre-A Round Financing

As set out in the Company's announcement dated 27 August 2021, the Pre-A Round Financing involved the investment in 126,470,585 Pre-A Preferred Shares (represented approximately 5.6% of the enlarged issued share capital of ZEEKR on a Fully Diluted and As-Converted Basis) by five independent third party investors, namely (i) Intel Capital Corporation, a subsidiary of Intel Corporation which is listed on the NASDAQ Global Select Market; (ii) Contemporary Amperex Technology Co., Limited, a global leader of new energy innovative technologies that is listed on the Shenzhen Stock Exchange; (iii) Cathay Fortune Corporation, the controlling shareholder of China Molybdenum Co., Ltd., a global leading mining company that is dual-listed on the Shanghai Stock Exchange and the Stock Exchange; (iv) related investor of Bilibili Inc., an iconic brand and a leading video community in the PRC which is dual-listed on the NASDAQ Global Select Market and the Stock Exchange; and (v) Boyu Capital, a Greater China-focused alternative asset management firm, at the total consideration of US\$500,000,000 (or US\$3.95348 per Pre-A Preferred Share), representing a post-money valuation of approximately US\$9.0 billion of ZEEKR.

Immediately following the completion of the Pre-A Round Financing, ZEEKR capital structure comprised 2,150,000,000 ordinary shares and 126,470,585 Pre-A Preferred Shares. As stipulated in the shareholders agreement of ZEEKR (the **"ZEEKR Shareholders Agreement"**), the shareholders of the Pre-A Preferred Shares (the **"Pre-A Shareholders"**) is entitled to a liquidation right. In the event of liquidation, the Pre-A Shareholders have the priority in the distribution of ZEEKR's assets over the ordinary shareholders.

As set out in the Letter from the Board, Pre-A Preferred Shares have additional rights compared to ordinary shares of ZEEKR, which are customary for preferred shares in similar innovative and new technology companies, including priority over ordinary shares on the distribution of assets in case of liquidation, tag-along right in the event of a share transfer by an initial shareholder of ZEEKR resulting in a change of control, as well as information rights to receive periodic financial statements.

In addition, certain fundamental changes at ZEEKR require the prior approval of at least 60% of holders of Pre-A Preferred Shares, including (i) dissolution or wind-up, (ii) share repurchase, (iii) transactions resulting in a change of control, (iv) disposals of substantially all assets, (v) amendments to the rights of Pre-A Preferred Shares, and (vi) the issuance of securities or initial public offering at a lower price than the issue price of the Pre-A Preferred Shares.

Pre-A Preferred Shares are convertible into ordinary shares of ZEEKR on a 1:1 basis, subject to customary broad-based weighted average anti-dilution adjustments. Holders of Pre-A Preferred Shares may exercise their conversion rights at any time after the issuance and prior to ZEEKR's initial public offering. If there is no initial public offering of ZEEKR, the Pre-A Shareholders will continue to have right to either receive their liquidation preference in the event of liquidation or convert their Pre-A Preferred Shares into ordinary shares of ZEEKR.

5.2. The Valuation Report

In assessing the fairness and reasonableness of the Consideration, we have relied on the valuation report furnished by the Valuer, an independent professional valuer (the "**Valuation Report**"). According to the Valuation Report, the appraised value of ZEEKR as at 31 August 2021 (the "**Valuation Date**") was approximately US\$9,048 million, details of which are set out in Appendix I to the Circular.

Details of our work performed in relation to the Valuation Report are set out below:

(i) Suitability and qualification of the Valuer

We have reviewed the Valuation Report and interviewed the relevant team members of the Valuer with particular attention to: (i) the terms of engagement of the Valuer with the Company; (ii) the qualifications and experience of the Valuer; and (iii) the steps and due diligence measures taken by the Valuer in performing the valuation in formulating the Valuation Report (the "**Valuation**"). Based on our review of the engagement letter between the Company and the Valuer, we are satisfied that the scope of work performed by the Valuer is appropriate to perform the Valuation. We are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Valuer. The Valuer has confirmed that it is independent from the Company, the counterparty of the Acquisition or their respective core connected persons or associates. We further understand that the Valuer is certified with the relevant professional qualifications required to perform the Valuation. We also note that the Valuer mainly conducted its due diligence through its own research and has relied on public information obtained through its own research as well as the financial information provided by the management of the Company.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's competence and independence and we consider that the Valuer has sufficient expertise and is independent to perform the Valuation.

(ii) Valuation methodology of the Valuation

We have discussed with the Valuer on the selection of valuation methodology. In arriving at the Valuation, the Valuer made reference to three generally accepted approaches, namely the market approach, cost approach and income approach. Please refer to the Valuation Report as set out in Appendix I to the Circular for the key features of these three different valuation approaches. Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present in the assets, whether arising from physical, functional or economic causes. Income approach is the conversion of expected periodic benefits of ownership into an indication of value.

As discussed with the Valuer, given the unique characteristics of ZEEKR, there are substantial limitations for the income approach and the cost approach for the Valuation as (i) income approach requires subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections with observable inputs are also needed to arrive at an indication of value but such information is not available as at the Valuation Date; and (ii) the cost approach does not directly incorporate information about the economic benefits contributed by the ZEEKR's business. In view of the above, the Valuer adopted the market approach for the valuation, which considers prices recently paid for similar assets and introduced objectivity in application as publicly available inputs are used.

Under the market approach, the Valuer adopted the prior transaction method, which utilises information on arms-length transactions involving the subject asset taken place close to the valuation date to arrive at an indication of value. The Pre-A Round Financing is deemed as timely and on an arm's length basis as it took place on 27 August 2021 with independent third parties. Taking into account that the Pre-A Round Financing involved the issuance of Pre-A Preferred Shares which carry liquidation preference over the ordinary shares, the backsolve method is applied to adjust the transaction price of the Pre-A Round Financing to arrive at the implied equity value of the ZEEKR at the time of the Pre-A Round Financing.

The backsolve method

We understand from the Valuer that the backsolve method is a common method under the market approach to estimate the equity value of a company with multiple classes of shares starting from the price of actual transaction in the company's own stock, and is a commonly accepted method to estimate the equity value for startups and pre-revenue companies.

The equity allocation model computes the value that can be allocated to each class of share and then the backsolve method is applied such that the allocated value per share is exactly equal to the original issue price of a company's latest funding transaction (i.e. the Pre-A Round Financing in this case). The equity value derived from this process to match the allocated value to the original issue price of the company's latest funding transaction (i.e. issue price of the Pre-A Preferred Shares of US\$3.95348 per share in this case) is the implied equity value of the company (i.e. ZEEKR in this case).

Given (i) the pre-revenue nature of ZEEKR; (ii) the capital structure of ZEEKR consists of both preferred shares and ordinary shares with different liquidation rights; and (iii) the Pre-A Round Financing was transacted on 27 August 2021, which is close to the Valuation Date of 31 August 2021, we concur with the Valuer that the backsolve method is an appropriate method under the market approach in the valuation of ZEEKR.

We understand from the Valuer that the backsolve method typically involves the following steps:

Step 1: Capital structure analysis

The first step entails identifying securities that are part of a company's capital structure, such as preferred shares and common stock and the respective rights and preferences.

For ZEEKR, it has two classes of shares, namely the Pre-A Preferred Shares and ordinary shares, which the Pre-A Preferred Shares have liquidation preference as stipulated in the ZEEKR Shareholders Agreement. Such rights help determine the value attributable to each class of shares.

Step 2: Equity allocation

At any given time, an early stage company faces either of the scenarios: (i) liquidation and (ii) non-liquidation. A company's equity value is computed by the equity value attributable to each class of the shares under each scenario.

For ZEEKR, in the non-liquidation scenario, the equity value of ZEEKR is allocated to each class of shares on an As-Converted Basis. In the liquidation scenario, the value of each equity class (i.e. the ordinary shares and the Pre-A Preferred Shares) is derived by adopting the Black-Scholes option pricing model ("OPM").

The Valuer then arrived at the probability-weighted value of each class of shares by assigning a probability of the liquidation scenario and non-liquidation scenario assumed to be 6.8% and 93.2% respectively. We understand from the Valuer that the probability for the liquidation scenario of 6.8% represents the

higher of the probability of default rates (as cited from Bloomberg) of the Company and Geely Holding, with 93.2% being the residual probability for non-liquidation scenario.

Step 3: OPM

We understand from the Valuer that OPM is a commonly used method for allocating equity value between different classes of shares such as preferred and common. OPM takes into account the different rights of each class of shares, it considers ordinary shares as a call option on the equity value, as the ordinary shares only receive returns if the company's value exceeds the liquidation preference amount of the preferred shares.

In applying the OPM, the Valuer adopted the following key parameters in the formula in calculating the price of a call option as set out in the Valuation Report in Appendix I to the Circular:

(a) Strike price of the options

As set out in the Valuation Report, the Valuer adopted three strike prices in determining the equity value to each class of the shares under the liquidation scenario, which were based on the liquidation preference amount of the Pre-A Preferred Shares as follow:

- (i) *Strike price of US\$0:* if equity value is less than the total liquidation preference amount (i.e. US\$0 to US\$500 million) of the Pre-A Preferred Shares, the equity value will be distributed solely to the Pre-A Preferred Shares, the value of ordinary shares is zero.
- (ii) *Strike price of US\$500 million:* if equity value is between US\$500 million to US\$9,000 million, the equity value will be distributed to Pre-A Preferred Shares first up to the total liquidation preference amount and the remaining will be distributed to the ordinary shares.
- (iii) *Strike price of US\$9,000 million:* if the proceeds sharing amount of the Pre-A Preferred Shares exceeds its liquidation preference amount, the Pre-A Shareholders may then opt to give up its liquidation right and opt to share the proceeds rateably, in which event the equity value will be distributed rateably to each class of shares.

We have reviewed the terms of the ZEEKR Shareholders Agreement and noted that the Pre-A Preferred Shares have liquidation preference over the ordinary shares of ZEEKR.

(b) Life to expiration

The Valuer assumed that the time to the occurrence of an exit event to be 5 years. The life to expiration is referenced to the target initial public offering date of ZEEKR.

We have reviewed the terms of the ZEEKR Shareholders Agreement and noted that the expected initial public offering date is approximately 5 years from the date of the Pre-A Round Financing, and after which ZEEKR and its Pre-A Shareholders will further discuss the exit arrangement in case of no initial public offering. We understand from the Valuer that, taking into account the above, whether or not there is an initial public offering of ZEEKR does not affect the Valuation, given that assuming there is no initial public offering of ZEEKR, the Pre-A Shareholders will continue to have right to either receive their liquidation preference in the event of liquidation or convert their Pre-A Preferred Shares into ordinary shares of ZEEKR.

(c) Risk free interest rate

The Valuer adopted the risk free interest rate of 0.43% determined based on the yield of United States Treasury Active Curve with a maturity of 5 years.

(d) Expected volatility

The Valuer adopted the expected volatility of approximately 61.35% determined based on the average annualized standard deviation of the historical stock prices of listed comparable companies.

We have obtained from the Valuer and reviewed the underlying calculation in determining the expected volatility and noted that respective 260-day volatilities of the listed comparable companies ranged from approximately 35.7% to approximately 99.2% with an average of approximately 61.35%.

Step 4: Arriving the implied equity value

Based on the application of the steps and assumptions above, the Valuer then applied the backsolve method and, by iteration, derived the implied equity value of ZEEKR to be US\$8,714 million, as set out on page 59 of the Valuation Report in Appendix I to the Circular.

(iii) *Market value of ZEEKR as at the Valuation Date*

In addition, to capture the market movement between the date of the Pre-A Round Financing (i.e. 27 August 2021) and the Valuation Date (i.e. 31 August 2021), the Valuer further adjusted the implied equity value at the date of the Pre-A Round

Financing with the percentage changes in the share prices of the comparable companies, considering that percentage changes in share prices is the most appropriate in capturing the market movement given that the date of the Pre-A Round Financing and the Valuation Date are reasonably close.

To capture the market movement between the date of the Pre-A Round Financing (i.e. 27 August 2021) and the Valuation Date (i.e. 31 August 2021), the Valuer further adjusted the Pre-A Round Financing implied equity value of ZEEKR with the percentage changes in the share prices of the comparable companies between 27 August 2021 and 31 August 2021.

In selecting the comparable companies, we understand that the Valuer has exhaustively identified five comparable companies based on the following criteria: (i) principally engaged in the development of new energy vehicles that are in the pre-revenue stage; (ii) publicly listed in major stock exchanges; (iii) searchable in S&P Capital IQ, being the research arm of S&P Global; and (iv) sufficient information available.

Having considered the selection criteria and particulars of the comparable companies, we are not aware of any factor that casts doubt on the reasonableness of adoption of the comparable companies by the Valuer to derive the Valuation. We note that among the five comparable companies, the percentage change in the share price of the comparable companies from 27 August 2021 to 31 August 2021 ranged from approximately 1.54% to approximately 6.10% with an average of approximately 3.84%.

The average of the percentage change of share price of the comparable companies of approximately 3.84% was adopted and multiplied by the implied equity value of ZEEKR from the Pre-A Round Financing of approximately US\$8,714 million to determine the market value of ZEEKR as at the Valuation Date, which is computed at US\$9,048 million.

In assessing the fairness and reasonableness of the Consideration, other than relying on the Valuation Report, we have also independently considered the market approach in our assessment of the Consideration, given (i) the income approach requires subjective assumptions to which the valuation is largely influenced by any inappropriate assumptions made; and (ii) the cost approach may not be appropriate since it does not consider the on-going operation of ZEEKR.

In adopting the market approach, we have considered identifying listed comparable companies principally engaged in the development of new energy vehicles that are in the pre-revenue stage, to provide a benchmark of valuation multiples for the assessment of the Consideration. However, taking into account the unique characteristics and pre-revenue nature of the listed comparable companies engaged in the development of new energy vehicles which are in different development stages and have different target markets, we consider that the market valuations of such listed comparable companies are not as good reference as the implied valuation derived

from the Pre-A Round Financing which is deemed as timely and arm's length valuation of ZEEKR with reputable independent third parties in assessing the valuation of ZEEKR.

We have also considered identifying comparable transactions involving the acquisition of equity interests in private companies engaged in the development of new energy vehicles. However, on a best effort basis, we were unable to identify any similar recent transactions on the public domain to provide meaningful reference.

Taking into account (i) the fact that the Pre-A Round Financing is already the most directly comparable transaction that was conducted recently and involved the subscription of the equity interests in ZEEKR by five reputable independent third party investors; and (ii) the market valuations of listed comparable companies are not as a good reference as the Pre-A Round Financing in view of their respective different development stages and target markets, we consider that the Pre-A Round Financing is already the most direct and optimal basis for assessing the valuation of ZEEKR.

Our view

Despite the fact that (i) ZEEKR was set up in March 2021; and (ii) the original acquisition cost of the Sale Shares was RMB220 million, we understand from the Company that, since the establishment of ZEEKR, ZEEKR has continued to rapidly develop as an intelligent electric vehicle company, which the first electric vehicle under the ZEEKR Brand was successfully delivered to customers in October 2021. We concur that the Pre-A Round Financing conducted in August 2021, which represents a recent arm's length transaction among five reputable independent third party investors (the profiles of which were set out in the section headed "5.1. Background of the Pre-A Round Financing" above), reflects the latest valuation of ZEEKR in an arm's length transaction. We therefore do not consider the establishment date of ZEEKR and the original acquisition cost of the Sale Shares as relevant factors in assessing whether the Acquisition (including the Consideration) is fair and reasonable.

In addition, we do not consider that the Company acquiring the Sale Shares, instead of subscribing for new ordinary shares of ZEEKR, is a relevant factor in assessing whether the Acquisition (including the Consideration) is fair and reasonable, as we understand from the Valuer that the difference in pre-money valuation of ZEEKR as at the Valuation Date under both scenarios would be considerably limited.

Based on the above and having considered that (i) the Valuer is qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Valuation Report competently; (ii) it is fair and reasonable to make reference to the Pre-A Round Financing in determining the equity value of ZEEKR as it represents an arm's length market valuation of ZEEKR; and (iii) the adoption of the market approach valuation methodology (including the application of the backsolve method and OPM) for the Valuation is fair and reasonable, taking into account (a) the pre-revenue nature of ZEEKR; (b) the capital structure of ZEEKR consists of both preferred shares and ordinary shares with different liquidation rights; (c) the Pre-A Round Financing was transacted on 27 August 2021, which is close to the Valuation Date of 31 August 2021 for the application of the backsolve method;

and (d) such valuation methodology takes into account the additional right of the Pre-A Preferred Shares over the ordinary shares of ZEEKR in having priority on the distribution of assets in case of liquidation, and takes into account the right of the Pre-A Shareholders to exercise their conversion rights at any time after the issuance and prior to ZEEKR's initial public offering, we concur with the view of the Directors that the Valuation of US\$9,048 million which represents the market value of ZEEKR as at the Valuation Date is an appropriate reference in determining the Consideration. Given the Implied Valuation from the Consideration of approximately US\$9.0 billion is comparable to and represents a discount of approximately 0.6% to the Valuation of ZEEKR of approximately US\$9.05 billion as at the Valuation Date, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

6. The Issue Price

As set out in the Letter from the Board, to partially satisfy the Consideration of the Acquisition, the Company will issue an aggregate of 196,410,000 Consideration Shares, which represents approximately 2% of the issued share capital of the Company as at the Latest Practicable Date and approximately 1.96% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming there will be no change in the total number of the issued Shares after the Latest Practicable Date other than the allotment and issuance of the Consideration Shares).

The Consideration Shares will be allotted and issued under the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM. The Consideration Shares, when being allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue on the date of allotment and issuance of the Consideration Shares.

6.1. Analysis on the Issue Price

As set out in the Letter from the Board, the Issue Price of HK\$23.34 per Consideration Share, which is based on the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 18 October 2021, being the date of the Framework Agreement, so as to minimize the uncertainties caused by the potential share price fluctuation after the Company's announcement dated 18 October 2021, and it represents:

- (i) a discount of approximately 4.3% to the closing price of HK\$24.4 per Share as quoted on the Stock Exchange on 15 October 2021, being the last trading date before the date of the Framework Agreement;
- (ii) a premium of approximately 2.4% to the average closing price of approximately HK\$22.79 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 15 October 2021, being the last trading date before the date of the Framework Agreement;

- (iii) a premium of approximately 4.0% to the average closing price of approximately HK\$22.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 15 October 2021, being the last trading date before the date of the Framework Agreement;
- (iv) a discount of approximately 11.4% to the closing price of HK\$26.35 per Share as quoted on the Stock Exchange on 28 October 2021, being the last trading date before the date of the Share Purchase Agreement;
- (v) a discount of approximately 12.6% to the average closing price of approximately HK\$26.72 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 28 October 2021, the last trading date before the date of the Share Purchase Agreement;
- (vi) a discount of approximately 10.5% to the average closing price of approximately HK\$26.09 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 28 October 2021, the last trading date before the date of the Share Purchase Agreement;
- (vii) a discount of approximately 13.7% to the closing price of HK\$27.05 per Share as quoted on the Stock Exchange on the date of the Share Purchase Agreement;
- (viii) a discount of approximately 7.9% to the closing price of HK\$25.35 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (ix) a premium of approximately 189.38% to the unaudited net asset value per Share of approximately HK\$8.07 as at 30 June 2021, based on the 9,820,736,540 Shares in issue as at the Latest Practicable Date.

As the Company is engaged in cash flow business model which is evaluated by way of price-earnings multiples instead of making reference to its assets backing, it is common that its Share price is traded at a premium to its net asset value per Share. In assessing the reasonableness of the Issue Price, we have conducted analysis on the Issue Price relative to (a) the recent Share price; (b) the Comparable Consideration Issues; and (c) the Placing Transactions (as defined in the sections “Comparable issues of Consideration Shares” and “Recent placing transactions” below).

Historical price performance of the Shares

In assessing the reasonableness of the Issue Price, we have considered the historical movement of the closing price of the Shares relative to the Issue Price. Set out below is a chart showing the movement of the closing prices of the Shares against the Issue Price during the period (i) from 19 October 2020 (being one year prior to the date of the Framework Agreement) up to the date of the Framework Agreement (the “**Pre-Framework Agreement Period**”); and (ii) from 19 October 2020 up to and including

the Latest Practicable Date. We consider that a review period of around one year is a reasonable length of time to illustrate the historical Share price performance that minimises the impact of short term Share price fluctuations.



Source: Bloomberg

Notes:

1. On 4 November 2020, the Company issued the announcement in relation to the entering into certain continuing connected transactions and a connected transaction relating to acquisition of assets.
2. On 6 November 2020, the Company issued the announcement in relation to unaudited sales volume in October 2020.
3. On 7 December 2020, the Company issued the announcement in relation to unaudited sales volume in November 2020.
4. On 6 January 2021, the Company issued the announcement in relation to the unaudited sales volume in December 2020 and the sales volume target for 2021.
5. On 11 January 2021, the Company issued the announcement in relation to the unusual price and trading volume movements and clarification of certain press articles.
6. On 15 January 2021, the Company issued the announcement in relation to the grant of share options.
7. On 8 February 2021, the Company issued the announcement in relation to the unaudited sales volume in January 2021.
8. On 24 February 2021, the Company issued the announcement in relation to certain business combination and collaboration of the Group.
9. On 8 March 2021, the Company issued the announcement in relation to the unaudited sales volume in February 2021.

10. On 23 March 2021, the Company issued (i) the announcement in relation to the annual results for the year ended 31 December 2020; and (ii) the announcement in relation to the formation of joint venture constituting a connected transaction.
11. On 7 April 2021, the Company issued the announcement in relation to the unaudited sales volume in March 2021.
12. On 28 April 2021, the Company issued the announcement in relation to the disposal of Shanghai Maple Guorun Automobile Company Limited* and the acquisition of Ningbo ZEEKR Intelligent Technology Company Limited* constituting connected transactions.
13. On 10 May 2021, the Company issued the announcement in relation to the unaudited sales volume in April 2021.
14. On 13 May 2021, the Company issued the announcement in relation to the acquisition of Changxing Geely Automobile Components Company Limited*, constituting a connected transaction.
15. On 7 June 2021, the Company issued the announcement in relation to the unaudited sales volume in May 2021.
16. On 25 June 2021, the Company issued (i) the announcement in relation to the withdrawal of application for the proposed RMB share issue; and (ii) the voluntary announcement in relation to the business development of the Group.
17. On 2 July 2021, the Company issued the announcement in relation to the acquisition of the equity interests of CEVT and Haohan Energy, the subscription of Ningbo Viridi (as defined in the said announcement) and certain continuing connected transactions.
18. On 6 July 2021, the Company issued the announcement in relation to the unaudited sales volume in June 2021.
19. On 28 July 2021, the Company issued the announcement in relation to the formation of joint venture constituting a connected transaction.
20. On 6 August 2021, the Company issued the announcement in relation to the unaudited sales volume in July 2021.
21. On 9 August 2021, the Company issued the voluntary announcement in relation to the clarification of parties to a transaction.
22. On 18 August 2021, the Company issued the announcement in relation to the unaudited interim results for the six months ended 30 June 2021.
23. On 20 August 2021, the Company issued the announcement in relation to the adoption of ZEEKR share award scheme.
24. On 27 August 2021, the Company issued the announcement in relation to the Pre-A Round Financing.
25. On 30 August 2021, the Company issued the announcement in relation to the adoption of share award scheme and the award of grant shares.
26. On 6 September 2021, the Company issued the announcement in relation to the unaudited sales volume in August 2021.

27. On 7 September 2021, the Company issued the announcement in relation to the subscription of preference shares of ECARX Holdings Inc.
28. On 11 October 2021, the Company issued the announcement in relation to the unaudited sales volume in September 2021.
29. On 15 October 2021, the Company issued the announcement in relation to certain continuing connected transactions.
30. On 18 October 2021, the Company issued the announcement in relation to the Framework Agreement.
31. On 29 October 2021, the Company issued the Announcement in relation to the Share Purchase Agreement.
32. On 8 November 2021, the Company issued the announcement in relation to the unaudited sales volume in October 2021.

* *For identification purposes only*

During the Pre-Framework Agreement Period of one year, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$15.9 per Share recorded on 28 October 2020 and HK\$33.8 per Share recorded on 20 January 2021 and 25 January 2021, respectively. The Issue Price had been above the closing prices of the Shares on 121 trading days out of 246 trading days (representing approximately half of the total number of trading days) during the Pre-Framework Agreement Period. Whilst the Pre-Framework Agreement Period provides a long term reference of the Share price performance, the more recent Share price performance is more relevant in assessing the reasonableness of the Issue Price. During the period of one month from 17 September 2021 and up to the publication of the Company's announcement in relation to the Framework Agreement, the closing prices of the Shares as quoted on the Stock Exchange ranged from HK\$21.5 per Share to HK\$25.75 per Share, with an average closing price of HK\$22.9 per Share. The Issue Price had been above the closing prices of the Shares on 13 trading days out of 17 trading days (representing approximately three quarters of the total number of trading days) during the period from 17 September 2021 and up to the publication of the Company's announcement in relation to the Framework Agreement.

Following the publication of the Company's announcement dated 18 October 2021 in relation to the Framework Agreement, the recent closing prices of the Shares from 19 October 2021 and up to the Latest Practicable Date were at a narrow range between HK\$25.30 per Share to HK\$27.10 per Share.

Comparable issues of Consideration Shares

In assessing the reasonableness of the Issue Price, we have also considered recent consideration issues in the Hong Kong market, we have identified acquisitions involving issue of consideration shares by companies listed on the Main Board of the Stock Exchange, which were announced since 1 May 2021 up to and including 29 October 2021, being the date of the Share Purchase Agreement, excluding (a) issues of A shares or domestic shares; (b) issues involving share exchange privatisation and share buy-back

offer; (c) issues that have been terminated or lapsed subsequently; and (d) issues with issue price yet to be determined (the “Comparable Consideration Issues”). We consider that a review period of around 6 months prior to the date of the Share Purchase Agreement is reasonable to provide a representative population of recent Comparable Consideration Issues for the purpose of assessing the reasonableness of the Issue Price.

It should be noted that the subject companies involved in the Comparable Consideration Issues may have different principal activities, market capitalisation, financial performance and financial position as compared with those of the Company, and the acquired assets and the reasons behind their respective issues of shares may vary. However, considering the similarity in nature of the issue of the Consideration Shares and the Comparable Consideration Issues that both involved issuing new shares to satisfy acquisition consideration, we consider that the Comparable Consideration Issues can provide a valid general reference for similar type of transactions in the Hong Kong market under the recent market environment.

The following table sets forth the issue price of the consideration shares and premiums/discounts of issue price over/to the respective (average) closing price on the last trading day prior to/on the date of the relevant agreement, and for the last 5 and 10 consecutive trading days prior to/including the date of the relevant agreement of the Comparable Consideration Issues:

Date of announcement	Company (stock code)	Issue price HK\$	Premium/(Discount) of the issue price over/to		
			the closing price on the last trading day	the average closing price over the last 5 consecutive trading days	the average closing price over the last 10 consecutive trading days
			%	%	%
04-May-21	Elernity Investment Limited (764)	0.250	2.0	0.8	3.7
27-May-21	Vongroup Limited (318)	0.650	0.0	20.8	26.2
28-May-21	Culturecom Holdings Limited (343)	0.330	(25.0)	(4.9)	(0.5)
31-May-21	FIT Hon Teng Limited (6088)	2.400	11.1	13.3	11.1
04-Jun-21	Kingkey Financial International (Holdings) Limited (1468)	0.240	(66.7)	(65.1)	(65.6)
07-Jun-21	China Conch Venture Holdings Limited (586)	36.657	10.4	6.0	3.8
02-Jul-21	Value Convergence Holdings Limited (821)	0.205	(18.0)	(16.5)	(17.3)
26-Jul-21	Moody Technology Holdings Limited (1400)	0.120	20.0	23.7	21.2
29-Jul-21	Ev Dynamics (Holdings) Limited (476)	0.180	44.0	36.4	34.3
15-Aug-21	Newlink Technology Inc. (9600)	2.558	(7.0)	(6.0)	(4.1)
20-Aug-21	Raily Aesthetic Medicine International Holdings Limited (2135)	0.477	(1.7)	(4.8)	(2.4)
30-Aug-21	Da Ming International Holdings Limited (1090)	3.260	(7.9)	(4.1)	0.0
31-Aug-21	China Health Group Limited (673)	0.100	49.3	41.6	42.5
23-Sep-21	Frontier Services Group Limited (500)	1.300	51.2	50.5	62.5
28-Sep-21	China 21st Century Education Group Limited (1598)	0.550	0.0	7.8	8.3
08-Oct-21	Universal Star (Holdings) Limited (2346)	2.230	(18.6)	(18.9)	(14.6)
20-Oct-21	Heng Tai Consumables Group Limited (197)	0.101	(19.8)	(1.9)	(1.0)

Date of announcement	Company (stock code)	Issue price HK\$	Premium/(Discount) of the issue price over/to		
			the closing price on the last trading day	the average closing price over the last 5 consecutive trading days	the average closing price over the last 10 consecutive trading days
			%	%	%
28-Oct-21	Vongroup Limited (318)	0.378	(15.0)	(14.0)	(16.6)
		Minimum	(66.7)	(65.1)	(65.6)
		Maximum	51.2	50.5	62.5
		Median	(0.8)	(0.5)	1.9
		Average	0.5	3.6	5.1
The Issue Price on the date of the Framework Agreement		23.34	(4.3)	2.4	4.0
The Issue Price on the date of the Share Purchase Agreement		23.34	(11.4)	(12.6)	(10.5)

Source: website of the Stock Exchange

As shown in the table above, the premiums/discounts of the Comparable Consideration Issues over/to the respective (average) closing price prior to/on the last trading day, and for the last 5 and 10 consecutive trading days before publication of the announcement are in a wide range between a 66.7% discount and a 62.5% premium, with average of between a 0.5% premium and 5.1% premium and median of between a 0.8% discount to a 1.9% premium. The premiums/discounts as represented by (a) the Issue Price on the date of the Framework Agreement (being the date when the possible Acquisition was first announced) to the (average) closing price of the Shares during the respective periods range from a 4.3% discount and a 4.0% premium; and (b) the Issue Price on the date of the Share Purchase Agreement to the (average) closing price of the Shares during the respective periods range from a 10.5% discount to a 12.6% discount, which are within the range of premiums/discounts under the Comparable Consideration Issues.

The discounts and premiums as represented by the Issue Price on the date of the Framework Agreement (being the date when the possible Acquisition was first announced) are comparable to the median under the Comparable Consideration Issues. The larger discounts as represented by the Issue Price on the date of the Share Purchase Agreement was mainly due to the fact that the Share price on the date of the Share Purchase Agreement (i.e. 29 October 2021) increased by approximately 9.1% to HK\$27.05 per Share from HK\$24.8 per Share on the date of the Framework Agreement (i.e. 18 October 2021). We note that following the publication of the Company's announcement dated 18 October 2021 in relation to the Framework Agreement, the closing prices of the Shares from 19 October 2021 and up to the Latest Practicable Date were at a narrow range between HK\$25.30 per Share to HK\$27.10 per Share.

Recent placing transactions

In order to further assess the fairness and reasonableness of the Issue Price, we have also considered recent placing transactions in the market as theoretically, the Company could have conducted a share placement to raise the necessary funding for the partial settlement of the Consideration instead of issuing the Consideration Shares. In this regard, we have identified placing transactions announced by companies listed on the Main Board of the Stock Exchange since 1 August 2021 up to and including 29 October 2021, being the date of the Share Purchase Agreement (the “**Placing Transactions**”).

The following table sets forth the premiums/discounts of issue price over/to the respective (average) closing prices on the last trading prior to/on the date of the announcement, and for the last 5 and 10 consecutive trading days prior to/including the date of the announcement of the Placing Transactions.

Date of announcement	Company (stock code)	Issue price HK\$	Premium/(Discount) of the issue price over/to		
			the closing price on the last trading day	the average closing price over the last 5 consecutive trading days	the average closing price over the last 10 consecutive trading days
			%	%	%
05-Aug-21	Xinte Energy Co. Ltd (1799)	16.220	(13.8)	(11.8)	(13.3)
05-Aug-21	Luxxu Group Limited (1327)	0.100	(16.7)	(13.9)	(14.7)
11-Aug-21	i-Control Holdings Limited (1402)	0.570	(5.0)	(5.3)	(3.7)
16-Aug-21	InvesTech Holdings Limited (1087)	1.240	(20.0)	(10.9)	(12.7)
24-Aug-21	Xinyang Maojian Group Limited (362)	0.250	(5.7)	(6.7)	(7.9)
01-Sep-21	Dongyue Group Limited (189)	23.000	(14.2)	(4.3)	5.9
01-Sep-21	Affluent Partners Holdings Limited (1466)	0.103	(19.5)	(19.0)	(20.0)
01-Sep-21	Universal Star (Holdings) Limited (2346)	1.970	(7.1)	(10.1)	(6.7)
09-Sep-21	Orient Overseas (International) Limited (316)	151.000	(8.8)	(10.5)	(11.1)
14-Sep-21	Ever Harvest Group Holdings Limited (1549)	0.231	(18.9)	(19.5)	(19.9)
15-Sep-21	Acme International Holdings Limited (1870)	0.600	(44.4)	(28.7)	(23.0)
26-Sep-21	Sheng Ye Capital Limited (6069)	8.800	(8.0)	(9.5)	(9.4)
30-Sep-21	KNT Holdings Limited (1025)	0.250	(16.7)	(18.6)	(20.5)
04-Oct-21	Capital VC Limited (2324)	0.250	(5.7)	(10.7)	(11.0)
05-Oct-21	Chinasoft International Limited (354)	12.260	(9.9)	(11.1)	(9.6)
06-Oct-21	Zhongyu Gas Holdings Limited (3633)	5.800	(9.9)	(8.9)	(9.4)
08-Oct-21	China New Economy Fund Limited (80)	0.162	0.0	0.0	(2.1)
18-Oct-21	China Investment Development Limited (204)	0.150	(16.7)	(20.0)	(21.8)
19-Oct-21	China Education Group Holdings Limited (839)	15.100	(9.4)	0.6	7.6
20-Oct-21	Shimao Services Holdings Limited (873)	15.180	(9.8)	(8.4)	(6.6)
22-Oct-21	Golden Century International Holdings Group Limited (91)	0.200	(13.0)	(14.8)	(15.6)
24-Oct-21	CIFI Ever Sunshine Services Group Limited (1995)	15.760	(8.8)	(4.7)	(2.6)
27-Oct-21	China Yuhua Education Corporation Limited (6169)	4.190	(12.0)	(15.0)	(9.6)

Date of announcement	Company (stock code)	Issue price HK\$	Premium/(Discount) of the issue price over/to		
			the closing price on the last trading day	the average closing price over the last 5 consecutive trading days	the average closing price over the last 10 consecutive trading days
			%	%	%
28-Oct-21	Li Ning Company Limited & Viva China Holdings Limited (2331)	87.500	(8.1)	(5.0)	(1.0)
29-Oct-21	HKE Holdings Limited (1726)	0.400	(9.1)	(4.3)	(4.0)
01-Nov-21	BYD Company Limited (1211)	276.000	(6.9)	(9.3)	(6.2)
		Minimum	(44.4)	(28.7)	(23.0)
		Maximum	0.0	0.6	7.6
		Median	(9.8)	(10.3)	(9.5)
		Average	(12.2)	(10.8)	(9.6)
The Issue Price on the date of the Framework Agreement		23.34	(4.3)	2.4	4.0
The Issue Price on the date of the Share Purchase Agreement		23.34	(11.4)	(12.6)	(10.5)

As shown in the above table, the basis of the last trading day and periods of last 5 and 10 consecutive trading days before the announcement, the premiums/discount of the Placing Transactions over/to the respective (average) closing prices range from a 44.4% discount to a 7.6% premium, with the average of between a 12.2% discount to a 9.6% discount, and median of between a 10.3% discount to a 9.5% discount. The premiums/discounts as represented by (a) the Issue Price on the date of the Framework Agreement (being the date when the possible Acquisition was first announced) to the (average) closing price of the Shares during the respective periods range from a 4.3% discount and a 4.0% premium is comparable to the high end of the premiums/discounts of the Placing Transactions; and (b) the Issue Price on the date of the Share Purchase Agreement to the (average) closing price of the Shares during the respective periods range from a 10.5% discount to a 12.6% discount, which is comparable to the average of the premiums/discounts of the Placing Transactions, respectively.

Our view

Having considered the above and the fact that (i) the Issue Price is determined with reference to the prevailing market price of the Shares before the date of the Framework Agreement; (ii) the Issue Price represents approximately 1.9% premium to the average closing Share price of HK\$22.9 during the period of one month prior to the Framework Agreement; (iii) the premiums/discounts as represented by the Issue Price on the date of the Framework Agreement is comparable to the average premiums/discounts of the Comparable Consideration Issues and comparable to the high end of that of the Placing Transactions; (iv) although the discount as represented by the Issue Price on the date of the Share Purchase Agreement is higher than the average premiums/discounts of the Comparable Consideration Issues, we consider such deviation is still within a reasonable range and the discount as represented by the

Issue Price on the Share Purchase Agreement is comparable to the average premiums/discounts of the Placing Transactions; and (v) the issue of the Consideration Shares is construed as a means to finance part of the Acquisition without involving significant cash outlay to the Group, we consider the Issue Price to be fair and reasonable.

7. Financial effects of the Acquisition on the Group

Upon completion of the Acquisition, ZEEKR will remain a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated with the consolidated financial statement of the Group. Set out below are the financial effects of the Acquisition on the Group:

7.1. Net assets

Currently, the assets and liabilities of ZEEKR are consolidated into the Company's statement of financial position with non-controlling interests. Since the Acquisition will increase the shareholding of the Group in ZEEKR, such non-controlling interests will decrease upon completion of the Acquisition. Accordingly, the Group's net asset value attributable to the Shareholders are expected to increase upon completion of the Acquisition.

As the Consideration will be settled partially by the Consideration Shares, the equity of the Company is expected to increase as a result of enlarged capital base following the issue of the Consideration Shares. The Group's cash and bank balance is expected to decrease as a result of the partial settlement of the Consideration by cash.

As confirmed by the Directors, no significant effect on the Group's consolidated financial position is expected to be resulted from the Acquisition immediately upon completion of the Acquisition.

7.2. Revenue and earnings

The financial results of ZEEKR will continue to be consolidated into the Company's statement of profit and loss upon completion of the Acquisition. Since the Acquisition will increase the shareholding of the Group in ZEEKR, the non-controlling interests will decrease upon completion of the Acquisition and accordingly, the impact of the profit or loss of ZEEKR on the Group's profit and loss attributable to the Shareholders are expected to increase upon completion of the Acquisition.

As confirmed by the Directors, no significant effect on the Group's consolidated profit and loss is expected to be resulted from the Acquisition immediately upon completion of the Acquisition.

7.3. Cash flow

Since the Consideration will be partially satisfied by cash of approximately RMB1.8 billion, the cash level of the Group will decrease immediately upon completion of the Acquisition. Given the bank balances and cash of approximately RMB19.8 billion as at 30 June 2021 according to the interim report of the Group for 1H2021, and based on the

assumption that there is no material adverse change in such position since 30 June 2021, the Directors expected that there would not be material adverse effect on the cash flow of the Group as a result of the Acquisition.

It should be noted that the analysis above is for illustrative purposes only and does not purport to represent how the financial position of the Group would be upon completion of the Acquisition.

CONCLUSION AND RECOMMENDATION


Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter);

- (a) the Acquisition is beneficial to the Company given (i) the Company's determination in pioneering electrified and intelligentized vehicles; (ii) the potential of ZEEKR to capture significant market share of the global high-end electric vehicle industry, which is expected to provide growth momentum to the Group in the future; (iii) the success of the Pre-A Round Financing being a showcase of recognition from the industry in ZEEKR's long term development; and (iv) the Acquisition will be able to offset the dilutive effect of the Pre-A Round Financing and other potential equity financings of ZEEKR in the future;
- (b) the Share Purchase Agreement represent normal commercial terms and the key terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (c) based on our independent work performed on the Valuation Report (which forms the basis of the Consideration), we are satisfied with the fairness and reasonableness of the methodology, principal basis, assumptions and parameters adopted in the Valuation Report;
- (d) given the Implied Valuation from the Consideration of approximately US\$9.0 billion is comparable to and represents a discount of approximately 0.6% to the Valuation of ZEEKR of approximately US\$9.05 billion as at the Valuation Date, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; and
- (e) the Issue Price of the Consideration Shares is considered fair and reasonable and in the interests of the Company and the Shareholders as a whole as (i) the Issue Price was determined with reference to the prevailing market price of the Shares before the date of the Framework Agreement; (ii) the premiums/discounts as represented by the Issue Price on the date of the Framework Agreement is comparable to the average premiums/discounts of the Comparable Consideration Issues and close to the high end of that of the Placing Transactions; (iii) although the Issue Price on the date of the Share Purchase Agreement is higher than the average premiums/discounts of the Comparable Consideration Issues, it is comparable to the average premiums/discounts of the Placing Transactions; and (iv) the issue of the Consideration Shares is construed as a means to finance part of the Acquisition without involving significant cash outlay to the Group,

we consider that (i) while the Acquisition is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole, and (ii) the terms of the Acquisition (including the allotment and issuance of the Consideration Shares) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

We advise the Independent Board Committee to recommend, and we ourselves recommend, the independent Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the Acquisition pursuant to the Share Purchase Agreement and the allotment and issuance of the Consideration Shares pursuant to the Specific Mandate.

Yours faithfully,
For and on behalf of
Ballas Capital Limited



Alex Lau

Managing Director



Colin Lee

Assistant Director

Note: Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2003 and Mr. Colin Lee of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity from 2013 to 2018 and since 2020.