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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Dongzheng Automotive Finance Co., Ltd.*, you should at once hand this circular and the accompanying form of proxy, to the purchaser or the transferee or to the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Shanghai Dongzheng Automotive Finance Co., Ltd.*

上海東正汽車金融股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2718)

**(1) CONTINUING CONNECTED TRANSACTIONS
(2) PROPOSED CHANGE OF AUDITORS
AND
(3) NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
The Independent Board Committee and the Independent Shareholders**



The 2022 Third Extraordinary General Meeting of Shanghai Dongzheng Automotive Finance Co., Ltd.* will be held at 10:00 a.m. on Friday, 30 December 2022 at 12/F (Nominal Floor: 15/F), Building Two, No. 58, Yao Yuan Road, Pudong New Area, Shanghai, PRC. A notice convening the 2022 Third Extraordinary General Meeting is set out on pages 52 to 55 of this circular.

Whether or not you are able to attend the 2022 Third Extraordinary General Meeting, you are advised to read the Notice of 2022 Third Extraordinary General Meeting carefully and to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H Shareholders, or to the Company's registered office at Unit ABC, 30/F., Mirae Asset Tower, No. 166 Lu Jia Zui Ring Road, Shanghai, the PRC for Domestic Shareholder and Unlisted Foreign Shareholder, in any event not less than 24 hours before the time fixed for convening the 2022 Third Extraordinary General Meeting or any adjourned meeting thereof in person or by post. Completion and return of the proxy form will not preclude you from attending and voting at the 2022 Third Extraordinary General Meeting or any adjourned meeting(s) thereof in person if you so wish.

* For identification purposes only

13 December 2022

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	24
Letter from the Independent Financial Adviser	26
Appendix I — General Information of the Company	46
Notice of 2022 Third Extraordinary General Meeting	52

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2022 Third Extraordinary General Meeting” or “EGM”	the third extraordinary general meeting of 2022 to be convened by the Company at 10:00 a.m. on Friday, 30 December 2022 at 12/F (Nominal Floor: 15/F), Building Two, No. 58, Yao Yuan Road, Pudong New Area, Shanghai, PRC
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Auction”	the auction of the Sale Shares through the online platform (www.jd.com) pursuant to the Administrative Decision (Hu Yin Bao Jian Tong [2020] No. 41) issued by the CBIRC Shanghai Office and the Administrative Ruling ([2022] Hu 74 Xing Shen No. 1) issued by Shanghai Financial Court of the PRC which took place between 10 a.m. on 18 May 2022 and 10 a.m. on 19 May 2022
“Automotive Financial Services Framework Agreement”	the automotive financial services framework agreement entered into between the Company and SAIC Motor on 7 December 2022
“Automotive Loan Services Framework Agreement”	the automotive loan services framework agreement entered into between the Company and SAIC Motor on 7 December 2022
“Board”	the board of Directors
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Company”	Shanghai Dongzheng Automotive Finance Co., Ltd.* (上海東正汽車金融股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares are listed on the Main Board of the Stock Exchange (Stock Code: 2718)
“Completion Announcement”	the joint announcement of the Company and SAIC Motor dated 5 August 2022
“Composite Document”	the composite offer and response document jointly issued by the Company and SAIC Motor dated 15 September 2022
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Deloitte”	Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in RMB
“Domestic Shareholder(s)”	holder(s) of Domestic Shares
“Financial Service Fees”	the service fees to be paid by SAIC Motor Group to the Company in respect of the Financial Services to be provided by the Company pursuant to the Automotive Financial Services Framework Agreement
“Financial Services”	the consultation services relating to purchases of vehicles in the PRC to be provided by the Company to SAIC Motor Group to assist members of the SAIC Motor Group in the provision of automotive financing business pursuant to the Automotive Financial Services Framework Agreement
“H Share(s)”	the issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	means the Board committee, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the terms of the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Sommerley”	Sommerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholder(s)”	the Shareholder(s), other than SAIC Motor and its associates as well as any other Shareholder who has a material interest in the transactions contemplated under the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement
“KPMG”	KPMG and KPMG Huazhen LLP Shanghai Branch
“Latest Practicable Date”	8 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan-related Service Fees”	the service fee to be paid by the Company to SAIC Motor Group in consideration of the Loan-related Services to be provided by SAIC Motor Group pursuant to the Automotive Loan Services Framework Agreement
“Loan-related Services”	the services to be provided by SAIC Motor Group to the Company pursuant to the Automotive Loan Services Framework Agreement
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SAIC Motor”	SAIC Motor Corporation Limited* (上海汽車集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600104)
“SAIC Motor Group”	SAIC Motor and its subsidiaries (excluding the Company)
“Sale Shares”	1,520,000,000 Unlisted Foreign Shares in the Company, representing approximately 71.04% of the issued share capital of the Company and 100% of the Unlisted Foreign Shares as at Latest Practicable Date
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“Shanghai SASAC”	Shanghai Municipal State-owned Assets Supervision and Administration Commission* (上海市國有資產監督管理委員會)

DEFINITIONS

“Share(s)”	ordinary shares in the share capital of the Company, including Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Unlisted Foreign Share(s)”	the Share(s) which are subscribed for or credited as fully paid in foreign currency and originally issued to foreign investor(s)
“Unlisted Foreign Shareholder(s)”	holder(s) of Unlisted Foreign Shares
“%”	per cent.



Shanghai Dongzheng Automotive Finance Co., Ltd.*

上海東正汽車金融股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2718)

Executive Directors:

Mr. Lin Fan (*Chairman*)
Mr. Shao Yongjun

Non-executive Directors:

Mr. Koh Tee Choong
Mr. Li Guozhou

Independent Non-executive Directors:

Mr. Wong Man Chung Francis
Ms. Liang Yanjun
Mr. Qin Zheng

Registered office:

Unit ABC, 30/F, Mirae Asset Tower
No. 166, Lu Jia Zui Ring Road
Shanghai, the PRC

Place of business in Hong Kong:

Suites 3901–3903
39th Floor Tower 2, Times Square
No. 1 Matheson Street
Causeway Bay, Hong Kong

13 December 2022

To the Shareholders,

(1) CONTINUING CONNECTED TRANSACTIONS

(2) PROPOSED CHANGE OF AUDITORS

AND

(3) NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to (i) the announcement dated 7 December 2022 of the Company in relation to, among others, the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement; and (ii) the announcement dated 15 November 2022 of the Company in relation to, among others, the proposed change of auditors.

The purpose of this circular is to provide you with the notice of the 2022 Third Extraordinary General Meeting and the information in relation to, among others, (i) details of the Automotive Loan Services Framework Agreement, the Automotive Financial Services Framework Agreement and the transactions contemplated thereunder; (ii) details of the proposed change of auditors; (iii) the letter from the Independent Board Committee in relation to the continuing connected transactions; (iv) the letter from the Independent Financial Adviser in relation to the continuing connected transactions; and (v) other information as required under the Listing Rules.

* *For identification purposes only*

LETTER FROM THE BOARD

2. CONTINUING CONNECTED TRANSACTIONS

I. Background

Reference is made to the Completion Announcement and the Composite Document in relation to, among other things, that SAIC Motor won the Auction at the bid price of RMB1,606,812,970 for the Sale Shares on 19 May 2022; and SAIC Motor became interested in 1,520,000,000 Unlisted Foreign Shares, representing approximately 71.04% of the issued share capital of the Company on 4 August 2022. As at the Latest Practicable Date, SAIC Motor held 1,912,248,601 Shares (representing 89.37% of the total issued share capital of the Company).

As disclosed in the section headed “The Offeror’s Intentions Regarding the Company” in the Composite Document, SAIC Motor intended that the Company would continue with its principal automotive loan business, and SAIC Motor would explore and pursue appropriate investment and business plans and strategies to promote the development of the Company’s automotive finance business. In addition, as disclosed in the Company’s 2022 interim report for the six months ended 30 June 2022, the Company’s business development plan would include continued enhancement of its loan disbursements efforts and strengthening co-operation of automobile brands; and developing innovative and customized financial products for new energy vehicles to pursue new business growth. In particular, the Company notes that a member of the SAIC Motor Group (the “SAIC Financing Business Provider”) is engaged in the automotive financing business. It is the Company’s business development plan that a major part of the automotive financing business conducted by the SAIC Financing Business Provider is expected to be conducted by the Company.

Leveraging on the resources of SAIC Motor, the Company intends to explore co-operation with SAIC Motor in the development and promotion of the Company’s automotive loan business. The Board is of the view that the co-operation would be in line with the Company’s business development plan. To regulate the respective rights and obligations, the Company agreed to enter into the following agreements with SAIC Motor:

- (i) **Automotive Loan Services Framework Agreement:** the Company entered into the Automotive Loan Services Framework Agreement with SAIC Motor, pursuant to which SAIC Motor Group shall provide Loan-related Services to the Company to promote the Company’s automotive loan business, subject to the terms and conditions provided therein for a term commencing on 1 January 2023 and ending on 31 December 2024; and
- (ii) **Automotive Financial Services Framework Agreement:** the Company entered into the Automotive Financial Services Framework Agreement with SAIC Motor, pursuant to which the Company shall provide financial consultation services in relation to automobile purchase financing activities to members of SAIC Motor Group, subject to the terms and conditions provided therein for a term commencing on 1 January 2023 and ending on 31 December 2024.

LETTER FROM THE BOARD

Negotiation of the terms of each of the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement were conducted on an arm's length basis and independent of each other, and the entering into of each of the agreements is neither interconnected nor inter-conditional with each other.

II. Agreements for the Continuing Connected Transactions

A. Automotive Loan Services Framework Agreement

On 7 December 2022, the Company entered into the Automotive Loan Services Framework Agreement with SAIC Motor. The principal terms of the Automotive Loan Services Framework Agreement are set out as follows:

Date	:	7 December 2022
Parties	:	(i) The Company; and (ii) SAIC Motor.
Term	:	Two years commencing on 1 January 2023 and ending on 31 December 2024 (both days inclusive).
Scope of services	:	SAIC Motor Group will provide a range of services to the Company for the promotion of the Company's automotive loan business. The Loan-related Services to be provided by SAIC Motor Group would include: (i) providing the Company with marketing and promotion services in relation to automotive loan business, including the introduction of customers; (ii) informing the car purchasers who apply for automotive loans of the required information on behalf of the Company, and ensuring the materials to be provided for the loan application are complete; (iii) assisting customers in printing the contracts on behalf of the Company, if needed; (iv) assisting customers in performing the signing procedures of formal loan contracts on behalf of the Company;

LETTER FROM THE BOARD

- (v) assisting customers in preparing materials required for applying car mortgage upon issuance of their registration certificate on behalf of the Company and reminding customers to process the procedures at the vehicle administration department with their identity cards;
- (vi) collecting customers' mortgage registration certificate on behalf of the Company upon the approval of their mortgage and delivering them to the Company; and
- (vii) other matters entrusted by the Company to SAIC Motor Group for the conduction of loan business in accordance with applicable laws and regulations.

Service fees : In consideration of the Loan-related Services to be provided by SAIC Motor Group, the Company will pay the Loan-related Service Fees to SAIC Motor Group.

Payment term : The payment for the Loan-related Service Fees shall be settled within two months after the Company receives the official invoice from SAIC Motor Group.

Pricing policy : The Loan-related Service Fees shall be determined based on market price of comparable services to be provided to the Company by independent third parties having regard to various factors including nature of the loan, duration of the loan, interest rate, and the brand of automobile involved, etc. In determining the market price of comparable services, the Company will make reference to (1) the service fee payable by the Company for similar services to independent cooperation channels; and (2) the service fee level in the same or nearby region for obtaining similar services through making inquiries with at least two independent third party channels in the market.

In any event the terms of the Loan-related Service Fees payable by the Company shall not be less favourable to the Company than those available from other independent third parties for similar types of services.

LETTER FROM THE BOARD

- Historical amounts** : The Company and SAIC Motor Group did not conduct similar transactions to those contemplated under the Automotive Loan Services Framework Agreement in the past. Therefore, there is no historical amount for the transactions contemplated under the Automotive Loan Services Framework Agreement.
- Proposed annual caps** : It is expected that the amount of the Loan-related Service Fees payable by the Company in 2023 and 2024 will not exceed the following respective amounts:

	For the year ending	
	31 December	
	2023	2024
	<i>(RMB)</i>	<i>(RMB)</i>
Loan-related Service		
Fees payable	100,000,000	200,000,000

The basis for determining the proposed caps in 2023 and 2024 for the Loan-related Service Fees payable by the Company to SAIC Motor Group under the Automotive Loan Services Framework Agreement are as follows:

- (i) the estimated number of automobile loan transactions to be promoted through SAIC Motor Group's cooperation channel for the year ending 31 December 2023 and the year ending 31 December 2024 being not exceeding 30,000 and not exceeding 50,000 respectively, taking into consideration, among others, the business plan of the Company to leverage on SAIC Motor Group's cooperation channel in promoting its automobile loan business; the increasing trend of loan-related services transactions provided by SAIC Motor Group (through its cooperation channels); and the continuing development of SAIC Motor Group's cooperation channels in the next two years;

LETTER FROM THE BOARD

- (ii) the estimated average loan amount of such automobile loan business, with reference to the average financing amount of the SAIC Financing Business Provider for each of the three years ended 31 December 2021 and for the six months ended 30 June 2022 being approximately RMB80,000, RMB83,000, RMB82,000 and RMB86,000 respectively; and
- (iii) the estimated average Loan-related Service Fees rate for each of the automobile loan business ranging from approximately 2.0% to 8.0%, determined with reference to the loan-related service fees rates of the SAIC Financing Business Provider's businesses during the three months ended 30 June 2022.

Based on the information provided by SAIC Motor Group, (i) the number of cooperation channels has increased by more than five times in 2021 (as compared to 2020) and more than 100% up to October 2022 (as compared to 2021); and (ii) the number of business staff has increased by over six times by October 2022 (as compared to 2020). Based on the business plan of SAIC Motor Group, it is expected that the number of cooperation channels would be expanded by twofolds whereas the number of business staff will be increased by 40% for the year ending 31 December 2024. Having considered SAIC Motor Group's past expansion and its intention to further develop its business, it is expected that the estimated number of automobile loan transactions to be promoted through SAIC Motor Group's cooperation channel for the year ending 31 December 2024 would be twice as much as the estimated number of automobile loan transactions to be promoted for the year ending 31 December 2023.

Reasons for and Benefits of Entering into the Automotive Loan Services Framework Agreement

- (i) As disclosed under the section headed "2. Continuing Connected Transactions — I. Background", it is the Company's business development plan that a major part of the automotive financing business currently carried out by the SAIC Financing Business Provider is expected to be conducted by the Company instead of the SAIC Financing Business Provider. SAIC Motor is a leading automobile

LETTER FROM THE BOARD

group in the PRC which sold approximately 5.46 million units of automobiles and recorded revenue of approximately RMB779.8 billion based on its audited financial statements for the year ended 31 December 2021. Based on the information available to the Company, as at 31 December 2021, SAIC Financing Business Provider's sales network comprises of over 60 co-operation channels. In addition, the Company shall recruit certain of the operating staff of SAIC Financing Business Provider (who will become part of the Company's team) to facilitate the Company to conduct its automotive financing business together with its existing in-house teams. This would allow the Company to expand the Company's sales network by cooperating with channels previously cooperating with SAIC Financing Business Provider and to penetrate into the new market segments, identify new customers and continue to expand its business on an independent basis.

- (ii) The transactions contemplated under the Automotive Loan Services Framework Agreement would enable the Company to gain access to customers of and identified by SAIC Motor Group and promote the Company to provide more high-quality and convenient loan products and financial services for automobile purchasers, and therefore expand the customer base and broaden the revenue source of the Company.
- (iii) The Loan-related Services to be provided by SAIC Motor Group in the loan application procedure is also provided by other automotive dealers of the Company in the Company's usual and ordinary course of business. Such practice is common among auto finance companies that are licensed and regulated by the CBIRC in the PRC.
- (iv) The entering into the Automotive Loan Services Framework Agreement is to formalise and facilitate the Loan-related Services to be provided to the Company by SAIC Motor Group.

B. Automotive Financial Services Framework Agreement

The principal terms of the Automotive Financial Services Framework Agreement are set out as follows:

Date	:	7 December 2022
Parties	:	(i) The Company; and (ii) SAIC Motor.
Term	:	Two years commencing on 1 January 2023 and ending on 31 December 2024 (both days inclusive).

LETTER FROM THE BOARD

- Scope of services** : The Company will provide financial consultation services in relation to automobile purchase financing activities to members of the SAIC Motor Group. The scope of Financial Services includes but not limited to:
- (i) providing automobile purchase financing business client-sourcing model design and consultation services, including referral of client resources, to SAIC Motor Group;
 - (ii) providing training services relating to automobile purchase financing client risk assessment to SAIC Motor Group;
 - (iii) providing business advisory services to their automobile purchase financing business personnel of SAIC Motor Group; and
 - (iv) providing consultation services in relation to automobile purchase financing product pricing to SAIC Motor Group.
- Service fees** : In respect of the Financial Services to be provided by the Company, SAIC Motor Group shall pay the Financial Service Fees to the Company.
- Payment term** : The payment for the Financial Service Fees shall be settled within two months after SAIC Motor Group receives the official invoice from the Company.

LETTER FROM THE BOARD

Pricing policy : The Financial Service Fees shall be determined on the basis of the standard of fees paid by other industry players for comparable services obtained through market research with reference to nature of the automobile purchase financing, the financing amount, duration, interest rate, brand of automobile involved, complexity of the projects, and the amount of resources and costs expected to be invested by the Company, etc. In determining the comparable service fees, the Company will make reference to (1) industry information on service fee from companies that principally engaged in the provision of automobile financing services or similar financing services; and (2) the service fee level in the same or nearby region for similar services through making inquiries with at least two independent third party channels and/or financial institutions.

In any event the terms of Financial Service Fees chargeable by the Company shall not be less favourable to the Company than those available to other independent third parties for similar type of service.

Historical amounts : The Company and SAIC Motor Group did not conduct similar transactions to those contemplated under the Automotive Financial Services Framework Agreement in the past. Therefore, there is no historical amount for the transactions contemplated under the Automotive Financial Services Framework Agreement.

LETTER FROM THE BOARD

Proposed annual caps : It is expected that the Financial Service Fees payable by SAIC Motor Group in 2023 and 2024 will not exceed the following respective amounts:

	For the year ending	
	31 December	
	2023	2024
	<i>(RMB)</i>	<i>(RMB)</i>
Financial Service Fees payable	200,000,000	200,000,000

The basis for determining the proposed caps in 2023 and 2024 for the Financial Service Fees payable by SAIC Motor Group to the Company under the Automotive Financial Services Framework Agreement are as follows:

- (i) the estimated number of automobile purchase financing transactions of the SAIC Motor Group which requires the Company's Financial Services for each of the two years ending 31 December 2024 being not exceeding 100,000, after taking into account, among others, that the transactions which would not be performed by the Company on its own having regarded to the Company's targeted capital capacity;
- (ii) the estimated average financing amount of such automobile purchase financing transactions, with reference to the average financing amount of the SAIC Financing Business Provider for each of the three years ended 31 December 2021 and for the six months ended 30 June 2022 being approximately RMB80,000, RMB83,000, RMB82,000 and RMB86,000 respectively; and
- (iii) the estimated average Financial Service Fees rate of each automobile purchase financing transaction ranging from approximately 1.0% to 5.0%, with reference to the average fee rates of other industry players for similar services.

LETTER FROM THE BOARD

Reasons for and Benefits of Entering into the Automotive Financial Services Framework Agreement

- (i) The provision of consultation services relating to automobile finance business to customers in the PRC is in line with the approved business scope of the Company. The provision of Financial Services to SAIC Motor Group would result in more business leads, allow the Company to deploy its existing resources to create new income stream and increase the revenue to the Company.
- (ii) By providing consultation services, it would also enhance the Company's understanding of latest market trend and development of the automobile finance industry which would facilitate the Company to develop and enhance its own business strategies. It is expected that the Company would be able to leverage on its experience and industry insights to satisfy the business needs of both the Company and SAIC Motor Group.
- (iii) The proposed entering into of the Automotive Financial Services Framework Agreement is to formalise the Financial Services to be provided by the Company to SAIC Motor Group.

III. Listing Rules Implications

As disclosed in the Completion Announcement and the Composite Document, on 19 May 2022, SAIC Motor won the Auction at the bid price of RMB1,606,812,970 for the Sale Shares, which represented a consideration of RMB1.0572 per Sale Share (equivalent to HK\$1.2430 per Sale Share); and on 4 August 2022, SAIC Motor became interested in 1,520,000,000 Unlisted Foreign Shares, representing approximately 71.04% of the issued share capital of the Company.

As at the Latest Practicable Date, SAIC Motor held 1,912,248,601 Shares (representing 89.37% of the total issued share capital of the Company), and among such number of Shares, 392,248,601 H Shares of which remained in the course of administrative licensing procedures pursuant to Articles 42 and 114 of the Implementation Measures for Administrative Licensing Items of Non-banking Financial Institutions of the CBIRC (2020 No. 6)* (《中國銀保監會非銀行金融機構行政許可事項實施辦法》(2020年第6號)), whereby the relevant shareholder rights (including voting rights) of SAIC Motor may not be exercised before obtaining the approval from the relevant regulatory authorities. Therefore, SAIC Motor controlled voting rights in respect of 1,520,000,000 Shares as at the Latest Practicable Date and is a controlling shareholder and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

In respect of the Loan-related Services under the Automotive Loan Services Framework Agreement, as one or more of the applicable percentage ratios of the transactions exceed 5%, the transactions relating to the Loan-related Services under the Automotive Loan Services Framework Agreement are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Financial Services under the Automotive Financial Services Framework Agreement, as one or more of the applicable percentage ratios of the transactions exceed 5%, the transactions relating to the Financial Services under the Automotive Financial Services Framework Agreement are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IV. No undue reliance of the Company on SAIC Motor Group

The Company is of the view that there will be no material reliance on SAIC Motor Group for the following reasons:

- (i) As disclosed under the section headed "2. Continuing Connected Transactions — I. Background", SAIC Motor intended that the Company would continue with its principal automotive loan business, and SAIC Motor would explore and pursue appropriate investment, business plans and strategies to promote the development of the Company's automotive finance business. Furthermore, it is the Company's business development plan that a major part of the automotive financing business currently carried out by the SAIC Financing Business Provider is expected to be conducted by the Company. The Company shall expand its sales network by cooperating with channels previously cooperating with SAIC Financing Business Provider.
- (ii) The Company shall also recruit certain of the operating staff of SAIC Financing Business Provider (who will become part of the Company's team) to facilitate the Company to conduct its automotive financing business together with its existing in-house teams. This would allow the Company to penetrate into the new market segments, identify new customers and continue to expand its business on an independent basis.
- (iii) As in the past, the Company continues to take steps aiming at expanding its business operations, sourcing new business and optimizing business structure from its existing in-house team. On capital aspect, given that the Company is an auto finance company licensed and regulated by the CBIRC, the Company has performed an assessment and confirms that the Company will continue to comply with the relevant capital adequacy requirement as required by the regulatory authorities after considering automotive loan transactions to be conducted by the Company through the expanded sales network. In this regard, the Board considers that the Company is capable to independently develop its automobile financing business without material reliance on SAIC Motor Group.

LETTER FROM THE BOARD

- (iv) As disclosed above, a major part of the automobile financing business currently carried out by the SAIC Financing Business Provider shall be conducted by the Company instead of the SAIC Financing Business Provider. Based on the information available to the Company, as at 31 December 2021, SAIC Financing Business Provider's sales network comprises of over 60 co-operation channels where SAIC Motor Group's channel is among one of them. Further, for the year ended 31 December 2021, over 90% of automotive finance business conducted by SAIC Financing Business Provider were derived by independent cooperation channels whilst less than 10% of such business were referred by the SAIC Motor Group's cooperation channel. Following the expansion of the Company's network into these independent co-operation channels and with vast number of independent channels in market, the Board expects that the exposure with SAIC Motor Group will not be significant to the Company and that any change in the relationship will not have a material adverse impact on its business.
- (v) In respect of the Financial Services, the cooperation between the Company and members of the SAIC Motor Group is non-exclusive, and that the Company may, at its discretion, choose to (i) provide the Financial Services to other independent third party financial institutions in the PRC; or (ii) provide the automotive loan business to the customers on its own instead of providing financial consulting services and referring client resources to other financial institutions by way of providing the Financial Services. Further, the Company expects more automotive loan transactions would be sought with the expansion in sales network by cooperating with channels previously cooperating with SAIC Financing Business Provider. In view of the above, the Board expects that the exposure with SAIC Motor Group in respect of the Financial Services will not be significant to the Company and that any change in the relationship will not have a material adverse impact on its business.
- (vi) Furthermore, the Company has become a subsidiary of SAIC Motor (which held approximately 89.37% of the issued share capital of the Company as at the Latest Practicable Date). The Company also has a synergistic long-term relationship with SAIC Motor, and will collaborate holistically to facilitate the continued growth of each other. Given the long-term and mutually beneficial nature of the relationship, the Board believes that the Company and SAIC Motor Group to continue with the co-operative business relationship and such business relationship is not likely to terminate or significantly deteriorate in the foreseeable future.
- (vii) As at the Latest Practicable Date, the Company's client sourcing process is conducted independently by the Company through its independent business development with no material reliance on SAIC Motor Group. The Company is and would be fully capable of carrying on its business independently from SAIC Motor Group from both the management and operational perspectives. In addition, transactions between the Company and members of SAIC Motor Group will continue to be conducted on normal commercial

LETTER FROM THE BOARD

terms based on arm's length negotiation and in compliance with the requirements on continuing connected transactions under Chapter 14A of the Listing Rules to safeguard the interests of both the Company and the Shareholders.

V. Internal Control Measures

To ensure that the transactions between the Company and SAIC Motor Group are conducted in accordance with the terms of the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement, and the requirements of Chapter 14A of the Listing Rules, the Company will adopt the following internal control measures:

- (i) The service fees are negotiated on arm's length basis and are set with reference to the prevailing market prices of the comparable products and/or services. This would ensure that the service fees would not be less favourable to the Company than those available from independent third parties.
- (ii) For the purposes of observance and monitoring the Company's internal control and pricing policies, the market conditions and the prevailing market prices including the pricings of the contemporaneous transactions with independent third parties in respect of comparable products and/or services will be reviewed and monitored on a semi-annual basis.
- (iii) The business and operational departments are responsible for the analysis, proposal and review of the pricing policies, payment terms and other business-related matters between the Company and its connected persons, and will semi-annually monitor the prevailing market price for the service fees and submit an update on the relevant prevailing market price to the management of the Company for review.
- (iv) The finance department is responsible for the review of invoices and payment amounts and to ensure that the amounts of service fees incurred are consistent with the Company's pricing policies. It will also conduct regular checks on a semi-annual basis to review and assess whether the continuing connected transactions contemplated under each of the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement are conducted in accordance with the terms of the relevant agreements.
- (v) The finance department will prepare a summary for continuing connected transactions periodically and organise meetings semi-annually to review and consider whether the relevant continuing connected transactions are conducted in accordance with the terms of the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement. After the summary for continuing connected transactions being reviewed by the relevant departments and the management, it will be submitted to the Audit Committee and the Board for further review.

LETTER FROM THE BOARD

- (vi) The finance department will monitor the utilization of the annual cap amounts allocated by the Company and as approved by the Shareholders (the “**Approved Amount**”). In the event that the annual transaction amount of the respective framework agreements reaches a certain percentage of the Approved Amount, or is expected to exceed the Approved Amount, the business and operational departments and the management shall be informed immediately and the Company shall determine the appropriate actions to be taken, including but not limited to (a) review the accumulative annual transaction amount and consider whether any transactions should be carried out without exceeding the Approved Amount; (b) inform the management of the Company not to enter into any further transactions; or (c) revise the Approved Amount and comply with the relevant requirements of the Listing Rules.
- (vii) The Company’s auditors will conduct an annual review of the pricing and the annual caps of the continuing connected transactions.
- (viii) The Audit Committee will periodically review the analysis reports and summary of continuing connected transactions.
- (ix) The independent non-executive Director will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

The Board is of the view that the above methods and procedures can ensure that the pricing and other terms for the continuing connected transactions contemplated under the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, the Board considers that the methods and procedures described above will ensure that there should be no material difference between the pricing arrangements under the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement, and those with independent third parties, thereby ensuring that the service fees are on normal commercial terms, and no less favourable to the Company than those available to or from independent third parties under the same or similar conditions.

VI. General Information

A. Information in relation to the Company

The Company is a joint stock company incorporated in the PRC with limited liability, the H shares of the Company are listed on the Stock Exchange. The Company is an auto finance company licensed and regulated by the CBIRC. The Company’s principal business comprises automotive loan business where it provides loans, direct leasing products and other financial services such as consultation services relating to automobile finance business to end customers, major customers and corporate clients for purchases of vehicles in the PRC.

LETTER FROM THE BOARD

B. Information in relation to SAIC Motor

SAIC Motor is a company established in the PRC and listed on the Shanghai Stock Exchange, with stock code 600104. SAIC Motor is a leading automobile group in the PRC which sold approximately 5.46 million units of automobiles and recorded revenue of approximately RMB779.8 billion based on its audited financial statements for the year ended 31 December 2021. It is principally engaged in the research and development, manufacture and sale of automobiles and automobile components, automobile finance business and the provision of mobility service. As at the Latest Practicable Date, Shanghai Automotive Industry Corporation (Group) is the controlling shareholder of SAIC Motor, and Shanghai Automotive Industry Corporation (Group) is in turn wholly-owned by Shanghai SASAC.

3. PROPOSED CHANGE OF AUDITORS

Reference is made to the announcement dated 15 November 2022 of the Company in relation to, among others, the proposed change of auditors.

On 4 August 2022, SAIC Motor became the controlling shareholder of the Company, following which the Company has become a state-controlled financial enterprise. In this connection, the Company conducted a tender process for the selection of its auditors for the year of 2022 in accordance with the Administrative Measures for the Selection and Appointment of Accounting Firms by State-owned Financial Enterprises (Cai Jin [2020] No. 6) (《國有金融企業選聘會計師事務所管理辦法》(財金[2020] 6號)) issued by the Ministry of Finance of the PRC. Based on the results of the tender process and with the recommendation of the audit committee of the Board, the Board considered and resolved (i) the proposed removal of KPMG as the overseas and domestic auditors of the Company respectively (the “**Proposed Removal**”); and (ii) the proposed appointment of Deloitte as the overseas and domestic auditors of the Company respectively for the year of 2022 (the “**Proposed Appointment**”).

The Proposed Removal and the Proposed Appointment are subject to the approval by the Shareholders in the 2022 Third Extraordinary General Meeting by way of ordinary resolution. The term of engagement of Deloitte shall commence from the date of approval at the 2022 Third Extraordinary General Meeting and end on the date of conclusion of the forthcoming annual general meeting of the Company.

KPMG has confirmed in writing that there are no matters in relation to the Proposed Removal that need to be brought to the attention of the Shareholders. The Board confirms that there are no disagreements or unresolved issues between the Company and KPMG in respect of the above change that need to be brought to the attention of the Shareholders.

The Board would like to express its sincere gratitude to KPMG for its professional services to the Company in the past years.

LETTER FROM THE BOARD

4. CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of H Shareholders who will be entitled to attend and vote at the 2022 Third Extraordinary General Meeting, the Company's H shares register of members will be closed from Wednesday, 28 December 2022 to Friday, 30 December 2022 (both days inclusive), during which period no transfer of H Shares will be effected. In order for the H Shareholders to qualify for attending and voting at the 2022 Third Extraordinary General Meeting, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 23 December 2022.

5. 2022 THIRD EXTRAORDINARY GENERAL MEETING

Whether or not you are able to attend the 2022 Third Extraordinary General Meeting, you are advised to read the Notice of 2022 Third Extraordinary General Meeting carefully and to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H Shareholders, or to the Company's registered office at Unit ABC, 30/F., Mirae Asset Tower, No. 166 Lu Jia Zui Ring Road, Shanghai, the PRC for Domestic Shareholder and Unlisted Foreign Shareholder, in any event not less than 24 hours before the time fixed for convening the 2022 Third Extraordinary General Meeting or any adjourned meeting thereof in person or by post. Completion and return of the proxy form will not preclude you from attending and voting at the 2022 Third Extraordinary General Meeting or any adjourned meeting in person if you so wish.

As for the relevant resolutions of the entering into of the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement, SAIC Motor and its associates (which held 1,912,248,601 Shares, representing approximately 89.37% of the issued share capital of the Company as at the Latest Practicable Date) will abstain from voting at the 2022 Third Extraordinary General Meeting as required by the Listing Rules.

Saved as disclosed above, no other Shareholders would be required to abstain from voting to approve the resolutions in relation to continuing connected transactions at the 2022 Third Extraordinary General Meeting. No Shareholders would be required to abstain from voting to approve the resolution in relation to the proposed change of auditors at the 2022 Third Extraordinary General Meeting.

As none of the Directors has a material interest in the continued connected transactions contemplated under the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement, no Directors is required to abstain from voting on the relevant Board resolutions.

LETTER FROM THE BOARD

6. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any votes of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all resolutions proposed at the 2022 Third Extraordinary General Meeting will be voted by poll. The poll results will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.dongzhengafcc.com upon the conclusion of the 2022 Third Extraordinary General Meeting.

7. RECOMMENDATIONS

Your attention is drawn to the letter of the Independent Board Committee set out on pages 24 to 25 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 26 to 45 of this circular in respect of the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that (i) the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement were entered into in the ordinary and usual course of business with normal commercial terms; and (ii) the Automotive Loan Services Framework Agreement, the Automotive Financial Services Framework Agreement and transactions contemplated thereunder (including the respective proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Automotive Loan Services Framework Agreement, the Automotive Financial Services Framework Agreement and transactions contemplated thereunder (including the respective proposed annual caps).

LETTER FROM THE BOARD

Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in their letter of advice, the Directors (including the independent non-executive Directors) are of the view that (i) the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement were entered into in the ordinary and usual course of business with normal commercial terms; and (ii) the Automotive Loan Services Framework Agreement, the Automotive Financial Services Framework Agreement and transactions contemplated thereunder (including the respective proposed annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Therefore, the Independent Shareholders are recommended to vote in favour of the resolutions to be proposed at the EGM to approve the Automotive Loan Services Framework Agreement, the Automotive Financial Services Framework Agreement and transactions contemplated thereunder (including the respective proposed annual caps).

The Directors considered that each of the Proposed Removal and the Proposed Appointment is in the best interests of the Company and the Shareholders as a whole.

8. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By Order of the Board
Shanghai Dongzheng Automotive Finance Co., Ltd.*
LIN Fan
Chairman



Shanghai Dongzheng Automotive Finance Co., Ltd.*

上海東正汽車金融股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2718)

13 December 2022

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 13 December 2022 issued by the Company (the “**Circular**”), which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to consider and advise you in respect of the Automotive Loan Services Framework Agreement, the Automotive Financial Services Framework Agreement and transactions contemplated thereunder (including the respective proposed annual caps), details of which are set out in the “Letter from the Board” contained in the Circular.

Somerley Capital Limited has been appointed as the Independent Financial Adviser in this regard. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 26 to 45 of the Circular.

We wish to draw your attention to the “Letter from the Board”, the “Letter from Independent Financial Adviser” and the additional information set out in the Appendix I to the Circular.

Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in their letter of advice, we are of the view that the transactions contemplated under the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement are in the ordinary and usual course of business of the Company and are in the interests of the Company and the

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders as a whole; and the terms of the transactions contemplated under the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement (including the respective proposed annual caps) are on normal commercial terms and are fair and reasonable. We therefore recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the transactions contemplated under the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement (including the respective proposed annual caps).

For and on behalf of the
Independent Board Committee

Mr. Wong Man Chung Francis
Independent non-executive Director

Ms. Liang Yanjun
Independent non-executive Director

Mr. Qin Zheng
Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

13 December 2022

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee and independent shareholders of Shanghai Dongzheng Automotive Finance Co., Ltd.* (the “**Company**”) in relation to the transactions contemplated under the automotive loan services framework agreement (the “**Loan-related Services Transactions**”) and the automotive financial services framework agreement (the “**Financial Services Transactions**”) (the Loan-related Services Transactions and the Financial Services Transactions, collectively, the “**Transactions**”) entered into between the Company and SAIC Motor Corporation Limited (“**SAIC Motor**”) dated 7 December 2022. Details of the Transactions are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company dated 13 December 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

On 7 December 2022, the Company entered into the Automotive Loan Services Framework Agreement with SAIC Motor, pursuant to which SAIC Motor Group shall provide Loan-related Services to the Company to promote the Company’s automotive loan business, subject to the terms and conditions provided therein for a term commencing on 1 January 2023 and ending on 31 December 2024. On the even date, the Company entered into the Automotive Financial Services Framework Agreement with SAIC Motor, pursuant to which the Company shall provide automotive financial services to members of the SAIC Motor Group (i.e. the Financial Services), subject to the terms and conditions provided therein for a term commencing on 1 January 2023 and ending on 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, as at the Latest Practicable Date, SAIC Motor holds 1,912,248,601 Shares (representing 89.37% of the total issued share capital of the Company), and therefore is a controlling shareholder and a connected person of the Company under the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of each of the Loan-related Services Transactions and the Financial Services Transactions exceed 5%, the Loan-related Services Transactions and the Financial Services Transactions are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Man Chung Francis, Ms. Liang Yanjun and Mr. Qin Zheng, has been established to advise the Independent Shareholders in relation to the Transactions. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley Capital Limited has acted as the independent financial adviser to the independent board committee of the Company in relation to the mandatory unconditional cash offers for the H Shares and the Domestic Shares (the "**Offers**") as set out in the Composite Document. The past engagement was limited to providing independent advisory services to the independent board committee of the Company pursuant to the Code on Takeovers and Mergers. Under the past engagement, Somerley Capital Limited received normal professional fees from the Company. Accordingly, we do not consider the past engagement gives rise to any conflict of interest for Somerley Capital Limited to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the matters set out above.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the "**Management**") and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Company or SAIC Motor, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion with respect to the Transactions, we have taken into consideration the following principal factors and reasons:

1. Information on the Company

The Company is a joint stock company incorporated in the PRC with limited liability, the H shares of the Company are listed on the Stock Exchange. The Company is an auto finance company licensed and regulated by the CBIRC. The Company provides loans, direct leasing products and other financial services such as consultation services relating to automobile finance business to end customers, major customers and corporate clients for purchases of vehicles in the PRC.

2. Information on SAIC Motor

With reference to the Board Letter, SAIC Motor is a company established in the PRC and listed on the Shanghai Stock Exchange, with stock code 600104. SAIC Motor is a leading automobile group in the PRC which sold approximately 5.46 million units of automobiles and recorded revenue of approximately RMB779.8 billion based on its audited financial statements for the year ended 31 December 2021. It is principally engaged in the research and development, manufacture and sale of automobiles and automobile components, automobile finance business and the provision of mobility service. As at the Latest Practicable Date, SAIC Automotive Industry Corporation (Group) is the controlling shareholder of SAIC Motor, and SAIC Automotive Industry Corporation (Group) is in turn wholly-owned by Shanghai SASAC.

3. Reasons for and benefits of the Transactions

As set out in the Composite Document, SAIC Motor won the Auction for the Sale Shares on 19 May 2022 and SAIC Motor became a controlling Shareholder on 4 August 2022. Following the close of the Offers and as at the Latest Practicable Date, SAIC Motor was interested in approximately 89.37% of all the issued Shares of the Company.

As disclosed in the section headed “The Offeror’s Intentions Regarding the Company” in the “Letter from CICC” in the Composite Document, SAIC Motor intended that the Company would continue with its principal automotive loan business, and SAIC Motor would explore and pursue appropriate investment and business plans and strategies to promote the development of the Company’s automotive finance business. In addition, as disclosed in the Company’s 2022 interim report for the six months ended 30 June 2022, the Company’s development plan included, among other things, enhancing loan disbursement efforts and strengthening cooperation with automobile brands; and developing innovative and customized financial products for new energy vehicles to pursue new business growth. The Board is of the view that the Transactions would be in line with the aforesaid Company’s business development plan.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As mentioned above, SAIC Motor's principal businesses include, among others, manufacture and sale of automobiles and automobile finance business. Based on the Management's understanding, as a part of the development strategy of the SAIC Motor Group and the Company, a major part of automotive finance business conducted by a member of the SAIC Motor Group (the "**SAIC Financing Business Provider**") is expected to be conducted by the Company and the Company shall expand its sales network by cooperating with channels previously cooperating with SAIC Financing Business Provider. Given that the SAIC Financing Business Provider's financing products are promoted through cooperation channel of the SAIC Motor Group and other third party automobile dealers, it is expected that there would be a demand by the Company for loan-related services by SAIC Motor Group and the independent third party automobile dealers for the promotion of such automotive loan business.

With reference to the Board Letter, the entering into of the Automotive Loan Services Framework Agreement is to formalise and facilitate the Loan-related Services to be provided to the Company by SAIC Motor Group. The Loan-related Services Transactions would enable the Company to gain access to customers of and identified by SAIC Motor Group, and promote the Company to provide more high-quality and convenient loan products and financial services for automobile purchasers, and therefore expand the customer base and broaden the revenue source of the Company.

As regards the Financial Service Transactions, the Financial Services to be provided by the Company involve provision of financial consultation services relating to automobile purchase financing activities to members of the SAIC Motor Group (in particular in relation to the customers sourced by the Company but not to be conducted by the Company after the Company's assessment on its own capital capacity (the "**Excluded Business**")). As advised by the Management, the provision of financial consultation services relating to automobile purchase financing activities is in line with the approved business scope of the Company. We understand from the Management that the Company will further develop its businesses in the automobile finance industry. At the same time, it is expected that there would be further business collaboration between the Company and the SAIC Motor Group. It is therefore the Company's plan to carry out the aforesaid financial consultation services to the members of the SAIC Motor Group and the entering into of the Automotive Financial Services Framework Agreement represents a part of the development strategy of the Company to govern such transactions with the SAIC Motor Group.

As further advised by the Management, the Financial Services Transactions would result in more business leads, allow the Company to deploy its existing resources to create new income stream and increase the revenue to the Company. By providing the consultation services, it would also enhance the Company's understanding of latest market trend and development of the automobile finance industry which would facilitate the Company to develop and enhance its own business strategies. It is expected that the Company would be able to leverage on its experience and industry insights to satisfy the business needs of both the Company and the SAIC Motor Group.

Having considered, among other things, that (i) the Transactions are in line with the Company's business development plan as disclosed in its 2022 interim report; (ii) the Loan-related Services would facilitate the promotion of the Company's automotive loan business through SAIC Motor Group's cooperation channel; (iii) the Loan-related Services Transactions would enable the Company to gain access to customers sourced of and identified by the SAIC Motor Group, and promote the Company to provide more high-quality and convenient loan products and financial services for automobile purchasers, and therefore expand the customer base and broaden the revenue source of the Company; (iv) the Financial Services Transactions would enhance the Company's understanding of latest market trend and development of the automobile finance industry which would facilitate the Company to develop and enhance its own business strategies; and (v) the Financial Services Transactions would result in more business leads, allow the Company to deploy its existing resources to create new income stream and increase the revenue to the Company, we concur with the Directors that the Transactions are conducted in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Transactions

(a) The Loan-related Services Transactions

Principal terms of the Automotive Loan Services Framework Agreement

Set out below are the principal terms of the Automotive Loan Services Framework Agreement, details of the same are set out in the Board Letter:

- | | |
|---------------------------|---|
| Date: | 7 December 2022 |
| Parties: | The Company and SAIC Motor |
| Term: | Two years commencing from 1 January 2023 and ending on 31 December 2024 (both days inclusive). |
| Scope of services: | SAIC Motor Group will provide a range of services to the Company for the promotion of the Company's automotive loan business. The Loan-related Services to be provided by SAIC Motor Group would include: <ul style="list-style-type: none">(i) providing the Company with marketing and promotion services in relation to automotive loan business, including the introduction of customers; |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) informing the car purchasers who apply for automotive loans of the required information on behalf of the Company, and ensuring the materials to be provided for the loan application are complete;
- (iii) assisting end customers in printing the contracts on behalf of the Company, if needed;
- (iv) assisting customers in performing the signing procedures of formal loan contracts on behalf of the Company;
- (v) assisting customers in preparing materials required for applying car mortgage upon issuance of their registration certificate on behalf of the Company and reminding customers to process the procedures at the vehicle administration department with their identity cards;
- (vi) collecting customers' mortgage registration certificate on behalf of the Company upon the approval of their mortgage and delivering them to the Company; and
- (vii) other matters entrusted by the Company to SAIC Motor Group for conducting the loan business in accordance with the applicable laws and regulations.

Service fees: In consideration of the Loan-related Services to be provided by SAIC Motor Group, the Company will pay Loan-related Service Fees to SAIC Motor Group.

Payment term: The payment for the Loan-related Service Fees shall be settled within two months after the Company receives the official invoice from SAIC Motor Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing policy: The Loan-related Service Fees shall be determined based on the market price of comparable services to be provided to the Company by independent third parties having regard to various factors including nature of the loan, duration of the loan, interest rate, and the brand of automobile involved, etc. In determining the market price of comparable services, the Company will make reference to (1) the service fee payable by the Company for similar services to independent cooperation channels; and (2) the service fee level in the same or nearby region for obtaining similar services through making inquiries with at least two independent third party channels in the market.

In any event the terms of the Loan-related Service Fees payable by Company shall not be less favourable to the Company than those available from other independent third parties for similar type of services.

Proposed annual caps: It is expected that for each of the years ending 31 December 2023 and 2024, the Loan-related Service Fees payable by the Company will not exceed the following respective amounts:

	For the year ending	
	31 December	
	2023	2024
	<i>(RMB)</i>	<i>(RMB)</i>
Loan-related Service		
Fees payable	100,000,000	200,000,000

As set out above, the Loan-related Service Fees shall be determined based on the market price of comparable services to be provided to the Company by independent third parties having regard to various factors, and the Company will, in determining the market price, make reference to (1) the service fee payable by the Company for similar services to independent cooperation channels; and (2) the service fee level in the same or nearby region for obtaining similar services through making inquiries with at least two independent third party channels in the market. For our due diligence purpose, we have discussed with the Management regarding further details of the aforesaid process of determining the market price. Based on our discussion with the Management, we understand that (1) there will be other independent third party channels providing services to the Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

which will be of the same or similar nature as those provided by the SAIC Motor Group under the Automotive Loan Services Framework Agreement; (2) as an on-going development of the automobile finance business, the Company will continue to identify other suitable channels and obtain service quotes from such potential channels; and (3) the Company has always been an automobile finance service provider and has built up relationship with other industry participants such that the Company will be able to obtain updated market information through discussion and enquiries with those industry participants. Accordingly, we concur with the Management's view that the Company will be able to make reference to the market price of comparable services when determining the Loan-related Service Fees.

In order to further understand the details of the Company's process in determining the Loan-related Service Fees, we have obtained an internal operation manual to be adopted by the Company which sets out the operating procedures and pricing policies of the Loan-related Services. Based on such document, we noted that the payment of the Loan-related Service Fees would be determined by the Company based on a number of factors such as the nature of the loan, the duration of the loan, the interest rate, the brand of automobile involved, risk assessment of the end customers, the customers reach of the channel; and the loan-related service fees to be paid by the Company under the Loan-related Services and any transactions with independent third parties will both be determined based on same pricing standard.

According to the operation manual, the Company will make reference to (1) the service fee payable by the Company for similar services to independent cooperation channels; and (2) the service fee level in the same or nearby region for obtaining similar services through making inquiries with at least two independent third party channels in the market and the Company's business and operational departments will also analyse and propose the pricing policy of the Loan-related Service Fees which will be reviewed by the Company's finance department. Before confirming the pricing policy of the Loan-related Service Fees, the relevant documents including the pricing policy and the relevant financial analysis shall be reviewed by the Company's sales department (if applicable), business department (if applicable), strategy department, finance department, compliance department and legal department, and approved by the vice general marketing manager, the vice general sales manager and the general manager. In relation to the payment, the product department shall prepare the calculation and standard of the Loan-related Service Fees. The finance department shall review and confirm the Loan-related Service Fees calculated by the product department and ensure that the loan-related service fees payable to connected persons and independent third parties are calculated and settled by the same standard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, in order to ensure that the transactions between the Company and the SAIC Motor Group are conducted in accordance with the terms of the Automotive Loan Services Framework Agreement and the requirements of Chapter 14A of the Listing Rules, the Company will adopt certain monitoring and internal control measures, details of which are set out in the sub-sections headed “V. Internal Control Measures” of the Board Letter. We consider that the measures to be implemented by the Company are appropriate in governing the Loan-related Services Transactions and safeguarding the interests of the Company by ensuring the terms of the Loan-related Services Transactions are fair and reasonable and on normal commercial terms.

Taking into account the above, in particular, (i) that service fees payable to the SAIC Motor Group will be determined based on, among other things, the market prices which would be obtained by the Company based on service fees of other independent cooperation channels and inquiries with independent third party channels; (ii) that the payment of the loan-related service fees by the Company to the SAIC Motor Group and the independent third parties would be determined based on same standard; (iii) that the Company will adopt an operation manual which governs the operation of the Loan-related Services Transactions; (iv) our discussion with Management regarding the process of determining the market prices and review of the internal operation manual of the Loan-related Services; and (v) that the Company will adopt monitoring and internal control measures to ensure that the terms of the Loan-related Services Transactions are conducted in accordance with the terms of the Automotive Loan Services Framework Agreement and the requirements of Chapter 14A of the Listing Rules, we consider the pricing basis of the Loan-related Services Transactions to be fair and reasonable.

Proposal annual caps

As mentioned above, the proposed annual caps for Loan-related Service Fees for each of the years ending 31 December 2023 and 2024 are as follows:

	For the year ending	
	31 December	
	2023	2024
	<i>(RMB)</i>	<i>(RMB)</i>
Loan-related Service Fees payable	100,000,000	200,000,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Management, the Company did not have any historical transaction with the SAIC Motor Group in relation to the loan-related services. As mentioned above, automotive financing business previously conducted by the SAIC Financing Business Provider is expected to be conducted by the Company as part of the development strategy of the SAIC Motor Group and the Company.

When determining the proposed annual caps, the Management has considered the historical loan-related services transactions between the SAIC Financing Business Provider and the SAIC Motor Group (through its cooperation channel). The Management took into account, among other things, (i) the estimated number of automobile loan transactions to be promoted through the SAIC Motor Group's channel (the "**Loan-related Services Estimated Number of Transactions**"), (ii) the estimated average loan amount of such transactions (the "**Loan-related Services Estimated Average Loans Amount**"), and (iii) the estimated average Loan-related Service Fees rates (as a percentage of the loan amount) of each automobile loan transaction (the "**Estimated Loan-related Service Fees Rates**"). In estimating the proposed annual caps for Loan-related Service Fees, the Management considers that the Company will be in a position to conduct the business previously conducted between the SAIC Financing Business Provider and the SAIC Motor Group (through its cooperation channel) given (i) the Company is licensed to, and in its ordinary and usual course of business to, provide automotive loan services to customers; and (ii) it is SAIC Motor's development strategy for the Company to conduct the automotive financing businesses of the SAIC Financing Business Provider.

For our due diligence purpose, we have obtained (i) a calculation of the proposed annual caps of the Loan-related Service Fees and (ii) information in relation to the automotive financing businesses of the SAIC Financing Business Provider during each of the three years ended 31 December 2021 and for the six months ended 30 June 2022 (the "**Historical Periods**").

As set out in the Board Letter, the estimated number of automobile loan transactions to be promoted through SAIC Motor Group's cooperation channel for the year ending 31 December 2023 and the year ending 31 December 2024 will be not exceeding 30,000 and not exceeding 50,000 respectively. Based on the review of the aforesaid information, we note that the Loan-related Services Estimated Number of Transactions were higher than the range of the historical number of automobile financing transactions of the SAIC Financing Business Provider promoted through the SAIC Motor Group's channel during the Historical Periods, representing year-on-year increases of approximately 122% (as compared to the annualised historical number for the six months ended 30 June 2022) and 100% (as compared to the estimated number for the year ending 31 December 2023).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Management, the SAIC Financing Business Provider's relationship with the SAIC Motor Group's channel was established since 2020 and the SAIC Financing Business Provider has been stepping up cooperation with the SAIC Motor Group's channel. We understand from the Management that the historical number of transactions promoted through the SAIC Motor Group's channel recorded significant year-on-year growth of approximately 1388% during the year ended 31 December 2021; and during the six months ended 30 June 2022, the historical number already amounted to approximately 89% of the historical number for the year ended 31 December 2021. Based on the SAIC Motor Group's business plan, its cooperation channel is expected to be further developed and the Company may further leverage on the SAIC Motor Group's cooperation channel as a leading automobile group in the PRC for promotion of loan business. We also understand from the Management that it has discussed with SAIC Motor Group regarding the further development plan of the SAIC Motor Group's channel. As advised by the Management, the SAIC Motor Group's channel has (i) expanded the number of cooperation channels with more than 5 times increase in 2021 (as compared to 2020) and more than 100% increase up to October 2022 (as compared to full year of 2021); and (ii) increased the number of its business staff with an increase of over 6 times by October 2022 as compared to 2020. It is expected that there will be further expansion in cooperation channels with about 1 times increase in number of cooperation channel in each of 2023 and 2024, and the number of business staff will increase by more than 40% from October 2022 to 2024.

Also, as set out the section headed "3. Reasons for and benefits of the Transactions" of this letter, SAIC Motor would explore and pursue appropriate investment and business plans and strategies to promote the development of the Company's automotive finance business, and the Company would take up a major part of the existing automotive financing business conducted by the SAIC Financing Business Provider as part of the SAIC Motor Group's development strategy. We understand from the Management that it is the plan of the SAIC Motor Group and the Company that certain of the operating staff of the SAIC Financing Business Provider will be migrated to become employees of the Company to facilitate the Company in taking up the existing automotive financing business conducted by the SAIC Financing Business Provider.

In addition, we have discussed with the Management the Company's capability in taking up the aforesaid automobile loan transactions to be promoted through the SAIC Motor Group's channel. As advised by the Management, given that (a) automotive loan business has always been the Company's principal business; (b) the Company is an auto finance company licensed and regulated by the CBIRC; and (c) the Management has performed an assessment and confirms that the Company will continue to comply with the relevant capital adequacy requirement as required by the regulations to take up such automotive loan transactions, it is considered

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

that the Company will be capable in taking up the automobile loan transactions to be promoted by the SAIC Motor Group's channel. For our due diligence purpose, we have obtained from the Company the aforesaid assessment of capital adequacy requirement, which took into account, among other things, the automobile loans expected to be taken up and the Company's existing level of capital and loan portfolio. Based on our discussion with the Management and our review of the assessment, we did not note any material difference from the Management's view as set out above.

Having considered the above, including (1) the aforesaid growth of the historical number of automobile financing transactions of the SAIC Financing Business Provider promoted through the SAIC Motor Group's channel and the further development plan of the SAIC Motor Group's channel; (2) the background of the SAIC Motor Group; (3) the plan of the SAIC Motor Group and the Company to employ certain of the operating staff of the SAIC Financing Business Provider to facilitate the Company in taking up the automotive financing business; (4) our discussion with the Management and our due diligence work regarding the Company's capability in taking up the automobile loan transactions to be promoted through the SAIC Motor Group's channel as set out above, we consider that the Management's estimation of the Loan-related Services Estimated Number of Transactions to be justifiable.

Regarding the Loan-related Services Estimated Average Loans Amount, we noted that the Loan-related Services Estimated Loans Amount were close to the range of the average financing amount of the SAIC Financing Business Provider during the Historical Periods (i.e. less than the lower end by less than 1%). We consider such estimation to be justifiable.

As for the Estimated Loan-related Service Fees Rates, we understand from the Management that such fees rates were determined based on the loan-related service fees rates of the SAIC Financing Business Provider's businesses during the three months ended 30 June 2022. As set out in the Board Letter, the estimated average Loan-related Service Fees rate for each of the automobile loan business ranges from approximately 2.0% to 8.0%, determined with reference to the loan-related service fees rates of the SAIC Financing Business Provider's businesses during the three months ended 30 June 2022. For our due diligence purpose, we obtained from the Management the historical automobile financing amount and loan-related service fees payable of the SAIC Financing Business Provider during the three months ended 30 June 2022. We noted that the Estimated Loan-related Service Fees Rates were in line with the loan-related service fees rates (being the loan-related service fees payable divided by the historical automobile financing amount) of the SAIC Financing Business Provider as recorded during the three months ended 30 June 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above, we consider the proposed annual caps for the Loan-related Services Transactions to be fair and reasonable.

(b) *The Financial Services Transactions*

Principal terms of the Automotive Financial Services Framework Agreement

Set out below are the principal terms of the Automotive Financial Services Framework Agreement, details of the same are set out in the Board Letter:

- Date:** 7 December 2022
- Parties:** The Company and SAIC Motor
- Term:** Two years commencing from 1 January 2023 and ending on 31 December 2024 (both days inclusive).
- Scope of services:** The Company will provide financial consultation services in relation to automobile purchase financing activities to members of the SAIC Motor Group (i.e. the Financial Services). The scope of Financial Services includes but not limited to:
- (i) providing automobile purchase financing business client-sourcing model design and consultation services, including referral of client resources, to SAIC Motor Group;
 - (ii) providing training services relating to automobile purchase financing client risk assessment to SAIC Motor Group;
 - (iii) providing business advisory services to the automobile purchase financing business personnel of SAIC Motor Group; and
 - (iv) providing consultation services in relation to automobile purchase financing product pricing to SAIC Motor Group.
- Service fees:** In respect of the Financial Services to be provided by the Company, SAIC Motor Group shall pay the Financial Service fees to the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment term: The payment for the Financial Service Fees shall be settled within two months after SAIC Motor Group receives the official invoice from the Company.

Pricing policy: The Financial Service Fees shall be determined on the basis of the standard of fees paid by other industry players for comparable services obtained through market research with reference to nature of the automobile purchase financing, the financing amount, duration, interest rate, brand of automobile involved, complexity of the projects, and the amount of resources and costs expected to be invested by the Company, etc. In determining the comparable service fees, the Company will make reference to (1) industry information on service fee from companies that are principally engaged in the provision of automobile financing services or similar financing services; and (2) the service fee level in the same or nearby region for similar services through making inquiries with at least two independent third party channels and/or financial institutions.

In any event the terms of Financial Service Fees chargeable by the Company shall not be less favourable to the Company than those available to other independent third parties for similar type of service.

Proposed annual caps: It is expected that for each of the years ending 31 December 2023 and 2024, the Financial Service Fees payable by the SAIC Motor Group will not exceed the following respective amounts:

	For the year ending	
	31 December	
	2023	2024
	<i>(RMB)</i>	<i>(RMB)</i>
Financial Service		
Fees payable	200,000,000	200,000,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in above, the Financial Service Fees shall be determined based on, among others, the service fees payable for comparable services having regard to various factors, and the Company will, in determining the comparable service fees, make reference to (1) industry information on service fee from companies that are principally engaged in the provision of automobile financing services or similar financing services; and (2) the service fee level in the same or nearby region for similar services through making inquiries with at least two independent third party channels and/or financial institutions. For our due diligence purpose, we have discussed with the Management regarding further details of the aforesaid process of determining the comparable service fee. Based on our discussion with the Management, we understand that (1) there are other industry participants which are also involved in procuring and/or providing services similar to the Financial Services to be provided by the Company under the Automotive Financial Services Framework Agreement; and (2) the Company has always been an automobile finance service provider and has built up relationship with other industry participants such that the Company will be able to obtain updated market information through discussion and enquiries with those industry participants. Accordingly, we concur with the Management's view that the Company will be able to make reference to the comparable service fees when determining the Financial Service Fees.

In order to further understand the details of the Company's process in determining the Financial Service Fees, we have obtained an internal operation manual to be adopted by the Company which sets out the operating procedures and pricing policies of the Financial Services. Based on such document, we noted that the Financial Service Fees would be determined by the Company based on financial service fees for comparable services in the market obtained by the Company (which shall be within 6 months from the date of determining the Financial Service Fees) and taking into account factors such as, the nature of the subject automobile purchase financing, the financing amount, duration, interest rate, brand of automobile, and the complexity of the projects, resources and costs invested by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the operation manual, the Company will make reference to (1) industry information on service fee from companies that are principally engaged in the provision of automobile financing services or similar financing services; and (2) the service fee level in the same or nearby region for similar services through making inquiries with at least two independent third party channels and/or financial institutions, and the Company's business and operational departments will also analyse and propose the pricing policy of the Financial Service Fees which will be reviewed by the Company's finance department. Before confirming the pricing policy of the Financial Service Fees, the relevant documents including the pricing policy and the relevant financial analysis shall be reviewed by the Company's sales department (if applicable), business department (if applicable), strategy department, finance department, compliance department and legal department, and approved by the vice general marketing manager and the general manager. In relation to the payment, the business department shall prepare the calculation and standard of the Financial Service Fees. The finance department shall review and confirm the Financial Service Fees calculated by the product department to ensure that the financial service fees to be received from connected persons and independent third parties (if applicable) are calculated and settled by the same standard.

In addition, in order to ensure that the transactions between the Company and the SAIC Motor Group are conducted in accordance with the terms of the Automotive Financial Services Framework Agreement and the requirements of Chapter 14A of the Listing Rules, the Company will adopt certain monitoring and internal control measures, details of which are set out in the sub-sections headed "V. Internal Control Measures" of the Board Letter. We consider that the measures to be implemented by the Company are appropriate in governing the Financial Services Transactions and safeguarding the interests of the Company by ensuring the terms of the Financial Services Transactions are fair and reasonable and on normal commercial terms.

Taking into account the above, in particular, (i) that service fees payable by the SAIC Motor Group will be determined based on, among other things, the comparable service fees which would be obtained by the Company based on information and inquiries with independent third party channels and/or financial institutions; (ii) that the Company will adopt an operation manual which sets out the internal control measures in relation to the Financial Services Transactions; (iii) that the Financial Service Fees would be determined by the Company based on several factors including financial service fees for comparable services in the market, the nature of the subject automobile purchase financing, the financing amount, duration, interest rate and brand of automobile, and the complexity of the projects, resources and costs invested by the Company; (iv) our discussion with the Management regarding the process of determining the comparable service fees and review of the internal operation manual of the Financial Services; and (v) the that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Company will adopt monitoring and internal control measures to ensure that the terms of the Financial Services Transactions are conducted in accordance with the terms of the Automotive Financial Services Framework Agreement and the requirements of Chapter 14A of the Listing Rules, we consider the pricing basis of the Financial Services Transactions to be fair and reasonable.

Proposal annual caps

As mentioned above, the proposed annual caps for Financial Service Fees for each of the years ending 31 December 2023 and 2024 are as follows:

	For the year ending	
	31 December	
	2023	2024
	(RMB)	(RMB)
Financial Service Fees payable	200,000,000	200,000,000

As mentioned above, the Financial Services to be provided by the Company involve provision of consultation services relating to automobile purchase financing activities to members of the SAIC Motor Group (in particular to the SAIC Financing Business Provider for the Excluded Business).

When determining the proposed annual caps, the Management took into account, among other things, (i) the estimated number of automobile purchase financing transactions which requires the Company's Financial Services (i.e. the Excluded Business) (the "**Financial Services Estimated Number of Transactions**"), (ii) the estimated average financing amount of such transactions (the "**Financial Services Estimated Average Financing Amount**"), and (iii) the estimated average Financial Service Fees rates (as a percentage of the loan amount) of each transaction (the "**Estimated Financial Service Fees Rate**"). As advised by the Management, the Company has considered that not all customers to be sourced by the Company would be conducted by the Company based on the Company's assessment on its own targeted capital capacity (i.e. the Excluded Business). In estimating the proposed annual caps for Finance Service Fees for each of the year ending 31 December 2023 and 2024, the Management has discussed with the SAIC Motor Group (in particular the SAIC Financing Business Provider) and understands that it plans to take up the Excluded Business and engage the Company for the Financial Services to participate in the Excluded Business.

For our due diligence purpose, we have obtained (i) a calculation of the proposed annual caps of the Financial Service Fees and (ii) information in relation to the automotive financing businesses of the SAIC Financing Business Provider during the Historical Periods.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Board Letter, the estimated number of automobile purchase financing transactions of the SAIC Motor Group which requires the Company's Financial Services for each of the two years ending 31 December 2024 will not exceed 100,000. Based on our review of the aforesaid information, we noted that the Financial Services Estimated Number of Transactions were within the range of the historical number of automobile financing transactions of the SAIC Financing Business Provider's business less the number of transactions proposed to be conducted by the Company.

Regarding the Financial Services Estimated Average Financing Amount, we noted that the Financial Services Estimated Average Financing Amount were close to the range of the average automobile financing amount of the SAIC Financing Business Provider during the Historical Periods (i.e. less than the lower end by less than 1%). We consider such estimation to be justifiable.

As set out in the Board Letter, the estimated average Financial Service Fees rate of each automobile purchase financing transaction range from approximately 1.0% to 5.0%. In determining the Estimated Financial Service Fees Rate, the Management took into account the service fees for comparable services in the market based on the Company's independent research. We have obtained from the Company its calculation of the aforesaid comparable service fee, and we have also reviewed the calculation and understand the Company's basis adopted in the calculation. Based on our review and discussion with the Management, we note that the comparable service fees were obtained by the Company after taking into account the average fee rates of other industry player(s) who are also involved in providing comparable services. As set out in such calculation, the Estimated Financial Service Fees Rate is higher than the comparable market fee rate based on the Company's research. We understand that the Management considers the adoption of a higher Financial Service Fees Rate (as compared to the comparable market fee rate) is in the interest of the Company. We consider such estimation to be justifiable.

Having considered the above, we consider the proposed annual caps for the Financial Services Transactions to be fair and reasonable.

5. Review and conditions of the Transactions

As confirmed by the Management, in compliance with the Listing Rules, the Transactions are subject to a number of conditions which include, among other things:

- (i) the proposed annual caps will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Transactions and confirm in the Company's annual report whether the Transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) on normal

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

- (iii) the auditors of the Company must, in accordance with the Listing Rules, review annually the Transactions and they must confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) whether anything has come to their attention that causes them to believe that the transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Company if the transactions involve the provision of goods or services by the Company;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transactions; and
 - (d) have exceeded the proposed annual caps;
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required;
- (v) the Company must allow, and ensure that SAIC Motor allow, the auditors of the Company sufficient access to their records of the transactions for the purpose of the auditors' reporting on the Transactions. The Board must state in the annual report whether the auditors of the Company have confirmed the matters set out in Rule 14A.56 of the Listing Rules; and
- (vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Transactions exceeds the relevant proposed annual cap(s), or that there is any material amendment to the terms of the Automotive Loan Services Framework Agreement and the Automotive Financial Services Framework Agreement.

In light of the conditions imposed on the continuing connected transactions, in particular, (1) the limit of the value of the transactions by way of the proposed annual caps; (2) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the Transactions; and (3) the on-going review by the auditors of the Company confirming the relevant proposed annual cap(s) not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Transactions and safeguard the interests of the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Transactions are in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole; and the terms of the Transactions are on normal commercial terms and are fair and reasonable. 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(s) to be proposed at the EGM to approve the Transactions.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Clifford Cheng
Director

Mr. Clifford Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors, Supervisors and the chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors, Supervisors and the chief executives of the Company including their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders and parties acting in concert with it and other persons' interests and short positions in Shares, underlying Shares and securities of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities (other than the Directors, Supervisors and chief executive of the Company) who had an interest or a short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the

provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the issued voting Shares of the Company, or in any options in respect of such share capital were as follows:

Name of Substantial Shareholder	Class of Shares	Capacity	Number of Shares held directly or indirectly	Approximate percentage of issued Shares of the relevant class (%)	Approximate percentage of total issued ordinary Shares (%)
SAIC Motor	Unlisted Foreign Shares	Beneficial owner	1,520,000,000	100.00	71.04
	H Shares	Beneficial owner	392,248,601	72.69	18.33
Shanghai Automotive Industry Corporation (Group)	Unlisted Foreign Shares	Interest of corporation controlled by substantial shareholder ¹	1,520,000,000	100.00	71.04
	H Shares	Interest of corporation controlled by substantial shareholder ²	392,248,601	72.69	18.33
Dongfeng Motor Corporation	Domestic Shares	Beneficial owner	80,000,000	100.00	3.74
Global Precise Assets Limited	H Shares	Beneficial owner	80,000,400	14.82	3.74
Xingtai Capital Management Limited	H Shares	Investment manager ³	40,000,000	7.41	1.87

Notes:

- Such information is extracted from the corporate substantial shareholder notice of Shanghai Automotive Industry Corporation (Group) filed on 23 May 2022 as shown on the website of the Stock Exchange.
- Such information is extracted from the corporate substantial shareholder notice of Shanghai Automotive Industry Corporation (Group) filed on 7 October 2022 as shown on the website of the Stock Exchange.
- Such information is extracted from the corporate substantial shareholder notice of Xingtai Capital Management Limited filed on 5 October 2022 as shown on the website of the Stock Exchange.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person (other than the Directors, Supervisors and chief executive of the Company) had an interest or a short position in the Shares or the underlying Shares of the Company recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the issued voting Shares of the Company, or any options in respect of such share capital.

As at the Latest Practicable Date, so far as is known to the Directors, the following proposed Directors and proposed Supervisors were employees in the SAIC Motor Group (whereas SAIC Motor was a controlling shareholder of the Company as at the Latest Practicable Date) as shown below:

Name of proposed Director	Positions held
Ms. Xu Ying	Secretary of the Party Committee of Shanghai Automotive Group Finance Corporation Limited* (上海汽車集團財務有限責任公司)
Mr. Wu Zheng	General manager of Anji Leasing Co., Ltd* (安吉租賃有限公司)
Dr. Zhou Qi	General manager of the legal department of SAIC Motor
Ms. Lin Weihua	General manager of the finance department of Shanghai Automotive Group Finance Corporation Limited* (上海汽車集團財務有限責任公司)
Name of proposed Supervisor	Positions held
Ms. Gu Xiaoqiong	General manager of the finance department of SAIC Motor and general manager of SAIC Motor Investment Management Co., Limited* (上海汽車集團投資管理有限公司)
Ms. Zhang Langman	Risk management manager of Anji Leasing Co., Ltd* (安吉租賃有限公司)

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed Directors, Supervisors and proposed Supervisors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or proposed Directors, or, so far as is known to them, any of their respective close associates (as defined in the Listing Rules) was interested in any business (apart from the Company's business) which competes or is likely to compete, either directly or indirectly, with the Company's business (as would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if each of them were a controlling Shareholder).

5. INTERESTS IN THE COMPANY'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE COMPANY

As at the Latest Practicable Date, none of the Directors, proposed Directors, Supervisors or proposed Supervisors had any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to the Company, or were proposed to be acquired or disposed of by or leased to the Company.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contracts or arrangements, subsisting at the Latest Practicable Date, which were significant in relation to the business of the Company.

6. QUALIFICATIONS AND EXPERTS

The following is the qualification of the expert who has given an opinion or advice, which is contained in this circular:

Name	Qualification
Somerley Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

To the best of the Directors' knowledge, the above-mentioned expert is a third party independent from the Company and its connected persons. As at the Latest Practicable Date, the above-mentioned expert did not have any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to the Company, or are proposed to be acquired or disposed of by or leased to the Company.

As at the Latest Practicable Date, the above-mentioned expert was neither beneficially interested in the share capital of the Company nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

8. MATERIAL ADVERSE CHANGE

Save as the items as disclosed below, the Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Company subsequent to 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

According to the Company's interim report for the six months ended 30 June 2022:

- (i) The Company recorded decrease in net interest income of approximately 51.12% for the six months ended 30 June 2022 ("HY2022") as compared to that for the six months ended 30 June 2021 ("HY2021"), which was due to the decrease in interest income (and was partially offset by the absence of interest expense) during HY2022.
- (ii) For HY2022 and as compared to HY2021, the Company recorded (a) decrease in net fee and commission income of approximately 45.23%; (b) other net expenses of approximately RMB5.50 million instead of other net income of approximately RMB0.77 million; (c) decrease in operating income of approximately 53.69%; (d) decrease in operating expenses of approximately 6.42%; and (e) income tax expense of approximately RMB179.87 million instead of income tax credit of approximately RMB86.66 million.

9. MATERIAL CONTRACTS

The Company has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this circular.

10. GENERAL

- (i) The registered office and head office of the Company is at Unit ABC, 30/F., Mirae Asset Tower No. 166, Lu Jia Zui Ring Road Shanghai, PRC.
- (ii) The principal place of business of the Company in Hong Kong is at Suites 3901–3903, 39th Floor, Tower 2, Times Square, No. 1 Matheson Street, Causeway Bay, Hong Kong.
- (iii) The H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, is at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (iv) As at the Latest Practicable Date, Mr. Chan Pak Hung is the company secretary of the Company. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has over 15 years of experience in corporate finance, compliance and company secretarial fields.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at <https://www.hkexnews.hk> and the website of the Company at <https://www.dongzhengafcc.com> for a period of 14 days from the date of this circular:

- (i) the Automotive Loan Services Framework Agreement;
- (ii) the Automotive Financial Services Framework Agreement;
- (iii) the letter from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this circular;
- (iv) the letter from the Independent Financial Adviser, the text of which is set out on pages 26 to 45 of this circular; and
- (v) the written consent referred to under the section headed “6. Qualifications and Expert” in this Appendix.



Shanghai Dongzheng Automotive Finance Co., Ltd.*

上海東正汽車金融股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2718)

NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the third extraordinary general meeting of 2022 (the “**2022 Third Extraordinary General Meeting**”) of Shanghai Dongzheng Automotive Finance Co., Ltd.* (the “**Company**”) will be held at 12/F (Nominal Floor: 15/F), Building Two, No. 58, Yao Yuan Road, Pudong New Area, Shanghai, PRC at 10:00 a.m. on Friday, 30 December 2022, to consider and, if thought fit, pass the following resolutions. Unless otherwise defined, capitalized terms used herein have the same meanings as those defined in the circular dated 13 December 2022 of the Company.

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Automotive Loan Services Framework Agreement, a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, the terms thereof and the continuing connected transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps set out in the Automotive Loan Services Framework Agreement be and are hereby approved; and
- (c) any one Director be and is hereby authorised to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Automotive Loan Services Framework Agreement.”

2. “**THAT**

- (a) the Automotive Financial Services Framework Agreement, a copy of which is tabled at the meeting and marked “B” and initialed by the chairman of the meeting for identification purpose, the terms thereof and the continuing connected transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

* For identification purposes only

NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING

- (b) the proposed annual caps set out in the Automotive Financial Services Framework Agreement be and are hereby approved; and
- (c) any one Director be and is hereby authorised to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Automotive Financial Services Framework Agreement.”

3. **“THAT:**

- (a) the proposal removal of KPMG and KPMG Huazhen LLP Shanghai Branch as the overseas and domestic auditors of the Company respectively be and are hereby approved (the “**Removal**”); and any one Director be and is hereby authorised to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the Removal; and
- (b) the proposed appointment of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP as overseas and domestic auditors of the Company respectively for the year of 2022 be and are hereby approved (the “**Appointment**”); any one Director be and is hereby authorised to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the Appointment; and the board of Directors be and is hereby authorised to determine their remuneration.”

By Order of the Board
Shanghai Dongzheng Automotive Finance Co., Ltd.*
LIN Fan
Chairman

Shanghai, PRC, 13 December 2022

Notes:

1. According to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all resolutions proposed at the 2022 Third Extraordinary General Meeting will be voted by poll. The poll results will be published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.dongzhengafc.com upon the conclusion of the 2022 Third Extraordinary General Meeting.
2. A shareholder entitled to attend and vote at the 2022 Third Extraordinary General Meeting announced to be convened herein is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a shareholder of the Company.

NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING

3. The proxy form together with notarized authorization letters of signatories or other authorization documents (if any) shall be invalid unless they are filled out and returned to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) or the Company's registered office (for Domestic Shareholder and Unlisted Foreign Shareholder) not less than 24 hours before the time designated for holding the 2022 Third Extraordinary General Meeting or any adjournment thereof. The address of Computershare Hong Kong Investor Services Limited is 17M/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the proxy form will not preclude you from attending and voting in person at the 2022 Third Extraordinary General Meeting or any adjournment thereof if you so wish.
4. In order to determine the list of H Shareholders who will be entitled to attend and vote at the EGM, the Company's H shares register of members will be closed from 28 December 2022 to 30 December 2022 (both days inclusive), during which period no transfer of H Shares will be effected. H Shareholders whose names appear on the H Shares register of members of the Company on 30 December 2022 shall be entitled to attend and vote at the EGM. In order for the H Shareholders to qualify for attending and voting at the EGM, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and in any case no later than 4:30 p.m. on 23 December 2022.
5. For joint holders, only the one whose name stands first in the Register shall be entitled to attend the 2022 Third Extraordinary General Meeting and vote in respect thereof.
6. Shareholders or their proxies shall present their identity documents when attending the 2022 Third Extraordinary General Meeting:
 - (1) Corporate shareholders' legal representatives attending the meeting shall present their valid personal identification, valid documents that can prove their identities as legal representatives and documents proving their shareholder identities; where legal representatives authorize others to attend the meeting, in addition to the aforesaid documents, the proxies shall also present their valid personal identification and the written authorization letters lawfully issued by the legal representatives (including authorizing others to sign). Where corporate shareholders authorize others to attend the meeting, the proxies shall present their valid personal identification, the authorization resolution of the board of directors of corporate shareholders or other decision-making bodies and documents proving shareholder identities.
 - (2) Natural person shareholders attending the meeting in person shall present their valid personal identification and documents proving their shareholder identities; proxies attending the meeting shall present their valid personal identification, the authorization letters from the shareholders and documents proving their shareholder identities.
7. The 2022 Third Extraordinary General Meeting is expected to last for not more than half a day. Shareholders or their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses.
8. The address of Computershare Hong Kong Investor Services Limited is 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

NOTICE OF 2022 THIRD EXTRAORDINARY GENERAL MEETING

9. The address of Company's registered office is Unit ABC, 30/F, Mirae Asset Tower No. 166, Lu Jia Zui Ring Road, Shanghai, the PRC.

Telephone: 86 (21) 2068 9999

Facsimile: 86 (21) 2068 9996

As at the date of this notice, the Board comprises Mr. Lin Fan and Mr. Shao Yongjun as executive Directors; Mr. Koh Tee Choong and Mr. Li Guozhou as non-executive Directors; and Mr. Wong Man Chung Francis, Ms. Liang Yanjun and Mr. Qin Zheng as independent non-executive Directors.