

Asia-Pacific Consulting and Appraisal Limited
Flat/RM A 12/F ZJ 300,
300 Lockhart Road,
Wan Chai, Hong Kong

6 September 2023

The Board of Directors
Geely Automobile Holdings Limited
Room 2301, 23/F, Great Eagle Centre,
23 Harbour Road,
Wanchai, Hong Kong

Dear Sirs,

In accordance with the instructions received from Geely Automobile Holdings Limited (the “**Company**”), we have undertaken a valuation exercise which requires Asia-Pacific Consulting and Appraisal Limited (“**APA**”) to express an independent opinion on the market value of enterprise value of Aurobay Technology Co., Ltd. (极光湾科技有限公司) and its subsidiaries (collectively, the “**Aurobay Technology Group**”) as at 31 May 2023 (the “**Valuation Date**”).

The purpose of this valuation is for circular reference of the Company.

Our valuation was carried out on a market value basis which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.”

INTRODUCTION

Reference is made to an announcement made by the Company on 11 July 2023, Zhejiang Geely Holding Group Company Limited (“**Geely Holding**”), Renault S.A.S. (“**Renault**”), and the Company (collectively, the “**Parties**”, each a “**Party**”) entered into a contribution agreement, pursuant to which the Parties proposed to set up a joint venture company (the “**Proposed JV Company**”). The Company has conditionally agreed to contribute the entire issued share capital of Aurobay Holding.

Upon completion of the internal reorganisation of the Aurobay Holding Group, Aurobay Holding will be the holding company of the Aurobay Technology Group.

Aurobay Technology Co., Ltd was incorporated in 2012, together with its subsidiaries, it engages in manufacture, assembly and sale of powertrains and related components through 9 wholly-owned subsidiaries primarily in China.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, asset-based approach and income approach.

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Asset-based approach refers to the valuation methodology to determine the value of the subject on a reasonable basis by valuing an enterprise's value contribution to the overall on-balance-sheet and off-balance-sheet assets and liabilities, based on the balance sheet of the subject as at the valuation date.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Given the characteristics of Aurobay Technology, there are substantial limitations for the income approach and the asset-based approach for valuing the underlying asset. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Secondly, the asset-based approach does not directly incorporate information about the economic benefits contributed by the subject business.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few assumptions. It also introduces objectivity in application as publicly available inputs are used.

In this valuation exercise, the market value of enterprise value of the Aurobay Technology Group was developed through the application of the market approach technique known as the guideline public company method. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of enterprise value of the Aurobay Technology Group. We have considered price-to-book ("P/B"), price-to-sales ("P/S"), price-to-earnings ("P/E") multiples and enterprise value-to-earnings before interests, taxes, depreciation and amortization ("EV/EBITDA").

The P/B multiple is considered not appropriate for this valuation because book value captures only the tangible assets of a company, it does not reflect the earning potential of intangible assets in a company, and also does not reflect the difference in financial leverage.

The P/S multiple is commonly used in the valuation of start-up enterprises. However, it ignores the cost structure of a company and hence the profitability of a company, which is critical in reflecting the

market value. Hence, we are of the view that it is not appropriate to adopt the P/S multiple to assess the market value of enterprise value of the Aurobay Technology Group.

The P/E ratio is quicker to calculate, using only a company's market capitalization as the numerator. However, when comparing businesses with high level of depreciation and amortization and different financial leverage, the P/E multiple is not preferred in this case.

The EV/EBITDA multiple uses the market capitalization of a company as the starting point, considering of the value of debt, minority interest, and excludes excess cash and cash equivalents to represent enterprise value, which is then divided by EBITDA amount.

In order to reflect the latest financial performance of the Aurobay Technology Group, it is considered that the suitable multiple in this valuation is the EV/EBITDA ratio (the "**EV/EBITDA Ratio**"), which is calculated by using comparable companies' enterprise value as at the Valuation Date and the available EBITDA for last twelve months ("**LTM**") ended 31 December 2022 to determine the market value of enterprise value of Aurobay Technology and then taken into account of market liquidity discount and control premium as the appropriate adjustments.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and financial condition of the Aurobay Technology Group and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The audited financial statement for the years ended 31 December 2020, 31 December 2021, 31 December 2022 of the Aurobay Technology Group;
- Financial and business risk of the Aurobay Technology Group;
- Consideration and analysis on the micro and macro economy affecting the subject business; and
- Other operational and market information in relation to the Aurobay Technology Group's business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Aurobay Technology Group.

VALUATION ASSUMPTIONS

In determining the market value of the enterprise value of the Aurobay Technology Group, we make the following key assumptions:

- In order to realize the future economic benefit of the business and maintain a competitive edge, manpower, equipment and facilities are necessary to be employed. For the valuation exercise, we have assumed that all proposed facilities and systems will work properly and will be sufficient for future operation;

- It is assumed that there will be no material changes in the international financial environment, global economic environment and national macroeconomic conditions, and that there will be no material change in the political, economic and social environment in which the appraised entity operates;
- We have assumed the accuracy of the financial and operational information provided to us by the Company and the Aurobay Technology Group and relied to a considerable extent on such information in arriving at our opinion of value; and
- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

FINANCIAL INFORMATION OF THE AUROBAY TECHNOLOGY GROUP

Set out below is extracted from the audited consolidated financial statements for the two years ended 31 December 2021 and 31 December 2022 of the Aurobay Technology Group:

	For year ended 31 December 2021 RMB'million Audited	For year ended 31 December 2022 RMB'million Audited
Revenue	17,788	18,252
EBITDA <i>(Note)</i>	2,235	2,714

Note: EBITDA has excluded the non-operating and non-recurring items such as gain or loss on disposal of property, plant and equipment, gain or loss on foreign exchange etc.

The market value of enterprise value of the Aurobay Technology Group was developed by using the EV/EBITDA Ratio deriving from comparable companies as at the Valuation Date and the EBITDA for last twelve months ended 31 December 2022 of the Aurobay Technology Group.

MARKET MULTIPLE

In determining the market multiple, we selected the listed comparable companies globally from major stock exchange in the United States of America, Europe, Japan, China and Hong Kong. The comparable companies listed on the global major exchanges are selected based on the selection criteria below:

- the comparable companies are publicly listed;
- the comparable company's core business is development, manufacture and sale of engines;
- the comparable company's revenue generated from sale of engines is mainly derived from China;
- the comparable companies recorded positive earnings before interest, tax, depreciation and amortization in their latest financial years and the EV/EBITDA Ratio of the comparable companies are available, as at the Valuation Date.

As sourced from Capital IQ, a reliable third-party database service provider designed by Standard & Poor's (S&P), an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis and the details of these comparable companies are shown below:

**Company Name
(Stock Name)**

Company Description

Harbin Dongan Auto Engine Co., Ltd. (SHSE:600178)	Harbin Dongan Auto Engine Co., Ltd produces and markets automobile products. The company offers engine products, including F-series, K-series, and M-series engine platforms; and transmission products, such as T09R, T10R, T13F, T13R, and T16R transmission platforms, as well as spare parts under the Dongan brand name..
Weichai Power Co., Ltd. (SEHK:2338)	Weichai Power Co., Ltd. engages in the manufacture and sale of diesel engines, automobiles, and other automobile components in China and internationally. The company offers engines of trucks, buses, construction and agricultural machinery, and industrial equipment; gearboxes, including transmission, PTO, and auto transmission products; axles for trucks, bus, and construction machinery; hydraulic components, pumps, valves, gears, motors, and powertrain; commercial vehicles and auto parts; and industrial trucks and services.
Zhejiang Xinchai Co. (SZSE:301032)	Zhejiang Xinchai Co., Ltd. manufactures and sells multi-cylinder diesel engines in China and internationally. Its products are used in engineering, agricultural machinery, and light truck power, as well as power generation applications.
Anhui Quanchai Engine Co., Ltd (SHSE:600218)	Anhui Quanchai Engine Co., Ltd. provides diesel engines for vehicles, agricultural equipment, forklift, construction machinery, generator, and water pump sets.
China Yunchai International Limited (NYSE:CYD)	China Yuchai International Limited, through its subsidiaries, manufactures, assembles, and sells diesel and natural gas engines for trucks, buses and passenger vehicles, marine, industrial, and agriculture applications in the People's Republic of China and internationally. The company provides diesel engines comprising 4- and 6-cylinder diesel engines, high horsepower marine diesel engines, and power generator engines, as well as natural gas engines, diesel power generators, diesel engine parts, and remanufacturing services; and generator sets, as well as plug in hybrid engines, range extenders, power generation powertrains, hybrid powertrains, integrated electric drive axel powertrains, and fuel cell systems.

Source: Capital IQ and annual reports of the comparable companies; the Aurobay Technology Group's data is sourced from the financial statements provided by the management.

Based on the abovementioned selection criteria, the list of five comparable companies shown above was identified and we are of the opinion that each of them is considered as a fair and representative comparable company to the Aurobay Technology Group. Further details of these five comparable companies with available EV/EBITDA ratios as at the Valuation Date are shown as follows:

Stock Code	Company Name	EV/EBITDA Ratio as at the Valuation Date
SHSE:600178	Harbin Dongan Auto Engine Co., Ltd.	5.8x
SEHK:2338	Weichai Power Co., Ltd.	8.9x
SZSE:301032	Zhejiang Xinchai Co.	28.2x
SHSE:600218	Anhui Quanchai Engine Co., Ltd	11.6x
NYSE:CYD	China Yunchai International Limited	2.8x
Median		8.9x

Source: Capital IQ

DISCOUNT FOR LACK OF MARKETABILITY ("DLOM")

The level of a company value can be described as: the marketable minority interest value which refers to the price quoted in public market less the DLOM equals to the non-marketable minority interest value representing the non-controlling shareholder of a private company.

A factor to be considered in valuing closely held companies is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of

net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

Most of the businesses or financial interests that we are valuing do not enjoy immediate liquidity. we thus face the task of making an adjustment from the value we have estimated from the transactions observed in the market approach to account for the lack of marketability of the business or business interest that we are valuing. That adjustment is what we refer to as the discount for lack of marketability.

In determining a reasonable DLOM, we have made reference to the Stout Restricted Stock Study Companion Guide (2022 edition) published by Stout Risius Ross, LLC. The study examined 772 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through March 2022. The overall average discount for all 772 transactions in the study is 20.5%.

CONTROL PREMIUM

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognize that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block.

The control premium adopted in this valuation is 20%, with reference to the control premium of closed transactions in automobile components or automobile industry within 5 years prior to the Valuation Date.

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies, sourced from Capital IQ, as at the Valuation Date and we have taken into account DLOM and control premium of the Aurobay Technology Group. The calculation of the market value of enterprise value of the Aurobay Technology Group as at the Valuation Date is as follows:

As at
31 May 2023

Applied EV/EBITDA Ratio	8.9
EBITDA for last twelve months ended 31 December 2022 of the Aurobay Technology Group (<i>RMB'million</i>)	2,714
Enterprise Value of the Aurobay Technology Group (<i>RMB'million</i>)	24,045
RMB/EUR exchange rate as at the Valuation Date	7.6016
Enterprise Value of the Aurobay Technology Group (<i>EUR'million</i>)	3,163
Adjusted for DLOM at 20.5%	(1-20.5%)
Adjusted for Control Premium at 20.0%	(1+20.0%)
Adjusted Enterprise Value of the Aurobay Technology Group (<i>rounded in EUR'million</i>)	3,018

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Aurobay Technology Group, the Company and Asia-Pacific Consulting and Appraisal Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Aurobay Technology Group over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value of enterprise value of the Aurobay Technology Group as at the Valuation Date is reasonably stated approximately at the amount of **EUR 3,018,000,000 (EURO THREE BILLION EIGHTEEN MILLION)**.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited



Jack W. J. Li
CFA, MRICS, MBA
Partner

Note: Jack W. J. Li is a Chartered Surveyor who has more than 15 years' experience in the valuation of assets in the PRC, Hong Kong, the Asia-Pacific and European region.