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If you have sold or transferred all your shares in Great Wall Motor Company Limited, you should at once pass this circular and the proxy form to the purchaser, the transferee, the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*

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

(Stock Code: 2333)

2019-2021 ORDINARY RELATED PARTY TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT SHAREHOLDERS



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee, containing its advice to the Independent Shareholders, is set out on pages 20 to 21 of this circular. A letter from Gram Capital, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 22 to 37 of this circular.

The EGM of the Company is to be held on Friday, 12 April 2019 at 2:00 p.m. at the Company's Conference Room, No. 2266 Chaoyang Road South, Baoding, Hebei Province, the PRC. The notice convening the EGM, together with the relevant reply slip and proxy form, have been sent to the Shareholders on 20 February 2019. Whether or not you are able to attend the EGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon. For H Shareholders, the proxy form should be returned, in person or by post, to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in any event, not less than 24 hours before the designated time for the commencement of the EGM and any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* For identification purposes only

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DEFINITIONS

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

“A Shareholder(s)”	holders of A Share(s);
“A Shares”	Domestic Share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange and traded in Renminbi (Stock Code: 601633);
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time;
“Baoding Ruimao”	Baoding Ruimao Corporate Management and Consulting Company Limited (保定市瑞茂企業管理諮詢有限公司), a wholly-owned subsidiary of Great Wall Holdings, which was incorporated under the PRC laws on 8 October 2018;
“Bo Chuang Property”	Baoding Bo Chuang Property Service. Co., Ltd. (保定市博創物業服務有限公司), an indirect wholly-owned subsidiary of Great Wall Holdings, which was incorporated under the PRC laws on 4 January 2012;
“Board”	the board of directors of the Company;
“Bochuang Urban Construction”	Bochuang Urban Construction and Development Company Limited (博創城市建設開發有限公司), a wholly-owned subsidiary of Great Wall Holdings, which was incorporated under the PRC laws on 7 May 2009;
“Company” or “Great Wall Motor”	Great Wall Motor Company Limited (長城汽車股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on Hong Kong Stock Exchange and Shanghai Stock Exchange, respectively;
“connected person(s)”	has the meaning as defined in the Hong Kong Listing Rules;
“Director(s)”	director(s) of the Company;

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held on Friday, 12 April 2019 at 2:00 p.m. for the purposes of considering and approving, among other things, the continuing connected transactions as defined herein;
“Framework Agreement”	the framework agreement entered into between the Company and Great Wall Holdings on 20 February 2019, pursuant to which the Group shall purchase certain products and services from Great Wall Holdings and sell certain products to Great Wall Holdings during the term of the agreement;
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of product purchase transactions and product sales transactions and their proposed annual caps;
“Great Wall Holdings”	Baoding Great Wall Holdings Company Limited (保定市長城控股集團有限公司), holds 62.854% equity interest in Innovation Great Wall;
“Great Wall Sharing”	Tianjin Great Wall Sharing Car Service Company Limited (天津長城共享汽車服務有限公司), which will become a wholly-owned subsidiary of Great Wall Holdings, and which was incorporated under the PRC laws on 21 December 2017;
“Group”	Great Wall Motor Company Limited and its subsidiaries;
“H Shareholder(s)”	holders of H Share(s);
“H Shares”	the overseas-listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 2333);

DEFINITIONS

“Honeycomb Energy”	Honeycomb Energy Technology Company Limited (蜂巢能源科技有限公司), an indirect wholly-owned subsidiary of Great Wall Holdings, which was incorporated under the PRC laws on 12 February 2018;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	the independent board committee established by the Company (comprising Mr. Ma Li Hui, Mr. Li Wan Jun and Mr. Ng Chi Kit, all being independent non-executive Directors) to advise the Independent Shareholders in respect of product purchase transactions and product sales transactions and their proposed annual caps;
“Independent Shareholders”	independent Shareholders who are not involved or interested in the Framework Agreement;
“Independent Third Parties”	the parties who are independent from and not connected with the Group, its substantial Shareholders, Directors and their respective associates;
“Innovation Great Wall”	Baoding Innovation Great Wall Asset Management Company Limited (保定創新長城資產管理有限公司), a substantial Shareholder of the Company holding approximately 84.86% of the A Shares of the Company, which accounts for 56.04% of the issued share capital of the Company;
“Latest Practicable Date”	18 March 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Rules of the Shanghai Stock Exchange”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange as amended from time to time;

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“PRC”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong, the Macau Special Administrative Region, and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Stock Exchange”	the Shanghai Stock Exchange;
“Share(s)”	A Share(s) and H Share(s);
“Shareholders”	holders of the Company’s Shares including A Share(s) and H Share(s);
“T box”	the terminal control unit (responsible for communication and security functions, etc.).

LETTER FROM THE BOARD



長城汽車股份有限公司
GREAT WALL MOTOR COMPANY LIMITED*

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

(Stock Code: 2333)

Executive Directors:

Wei Jian Jun
Wang Feng Ying
Yang Zhi Juan

***Registered office, head office and
principal place of business:***

No. 2266 Chaoyang Road South
Baoding
Hebei Province
the PRC

Non-executive Directors:

He Ping

Independent non-executive Directors:

Ma Li Hui
Li Wan Jun
Ng Chi Kit

22 March 2019

To the Shareholders

Dear Sir or Madam,

**2019-2021 ORDINARY RELATED PARTY TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 20 February 2019 in relation to the Framework Agreement between the Company with Great Wall Holdings and the transactions and proposed annual caps thereunder for the three years ending 31 December 2019, 2020 and 2021.

* *For identification purposes only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on 2019-2021 ordinary related party transactions; (ii) further information about the Continuing Connected Transactions; (iii) the recommendation of the Independent Board Committee on the Continuing Connected Transactions; (iv) the advice of Gram Capital in respect of the Continuing Connected Transactions; and (v) other information as required under the Hong Kong Listing Rules.

2. 2019-2021 ORDINARY RELATED PARTY TRANSACTIONS

The Company entered into the Framework Agreement with Great Wall Holdings on 20 February 2019. Pursuant to the Framework Agreement, the transactions between the Group and Great Wall Holdings (including companies under its direct or indirect control) in the daily operations mainly include the purchase of products (including mainly power battery pack, T box (the terminal control unit, responsible for communication and security functions, etc.), materials, steam, etc.), sales of products (including mainly complete vehicles, raw materials, manufacturing equipment, working position apparatus, steam, etc.), purchase of services (including mainly greening services, pipeline construction, testing, processing, hazardous wastes disposal, etc.) and provision of services (including mainly testing, vehicle maintenance, consulting services, etc.), as well as leasing (renting houses, venues and vehicles) and provision of leases (providing leases for houses and vehicles).

The Group and Great Wall Holdings shall enter into specific transaction agreements according to the requirement plans agreed by both parties and in line with the principles and requirements of this Agreement. The specific transaction contract shall include the specific requirements of procurement, sales, services, leases, etc. (including but not limited to specifications, quantities, prices, quality standards and guarantees, settlement methods, delivery methods, etc.).

The pricing policies of the Group's purchase of products, sales of products, purchase of services, rendering services, leasing and provision of leases with Great Wall Holdings shall be in compliance with the requirements of relevant laws, regulations and the Listing Rules of the Shanghai Stock Exchange, with reference to the prevailing market price charged by the Company for the purchase or provision of similar products or services to the Independent Third Parties in the ordinary course of business in accordance with normal commercial terms, and are determined based on fair and reasonable principles and normal commercial terms.

LETTER FROM THE BOARD

**Transaction Category
(the Company to
Great Wall Holdings)**

Pricing Policies

Purchase of products

If the product has a government-prescribed price or guidance price, the Company will purchase the product from Great Wall Holdings at the government-prescribed price or guidance price. If there is no government-prescribed price or guidance price, the procurement price will be determined by the Company through open tendering, or by its business departments through reviewing and (if practicable) comparing at least two identical or comparable product quotations according to industry standards and market conditions, which is subject to the final negotiation with Great Wall Holdings.

Sales of products

If the product has a government-prescribed price or guidance price, such price will be adopted as the selling price. If there is no government-prescribed price or guidance price, the Company will determine and negotiate the selling price with reference to the prevailing fair market price of the comparable products and in accordance with the general commercial terms that are in the interest of the Company. The price at which the Company sells the product will not be lower than the above fair market price range.

Terms of the product sales contract (including the price, sales policy, etc.) will be no more favorable than the terms applicable to the sale of comparable types of products with comparable quality to the Independent Third Parties by the Company.

Purchase of services

The transaction price will be determined by the Company through open tendering, or by its business departments through reviewing and (if practicable) comparing at least two identical or comparable product quotations with reference to industry standards, market conditions and the Company's operation strategies, which is subject to the final negotiation with Great Wall Holdings.

LETTER FROM THE BOARD

**Transaction Category
(the Company to
Great Wall Holdings)**

Pricing Policies

Provision of services	The Company will determine and negotiate the selling price with reference to the prevailing fair market price of the comparable services and in accordance with the general commercial terms that are in the interest of the Company. The price at which the Company provides services will not be lower than the above fair market price range.
Leasing	The transaction price will be determined by the Company through open tendering, or by its business departments through reviewing and (if practicable) comparing at least two identical or comparable product quotations with reference to industry standards, market conditions and the Company's operation strategies, which is subject to the final negotiation with Great Wall Holdings.
Provision of leases	The Company will determine and negotiate the selling price with reference to the prevailing fair market price of the comparable leasing business and in accordance with the general commercial terms that are in the interest of the Company. The price at which the Company provides leasing will not be lower than the above fair market price range.

The transactions will be conducted at any time in compliance with and in accordance with the guidelines, rules and regulations of the Listing Rules of the Shanghai Stock Exchange and relevant regulatory authorities.

The aggregated caps and the caps by category between the Group and Great Wall Holdings for 2019-2021 ordinary related party transactions are as follows:

<i>RMB0'000</i>			
Category	Proposed annual cap for 2019	Proposed annual cap for 2020	Proposed annual cap for 2021
Purchase of products	596,500.00	1,373,200.00	1,799,100.00
Sales of products	382,605.00	649,904.00	1,038,920.00
Purchase of services	9,788.00	3,461.00	3,592.00
Provision of services	2,760.00	1,490.00	1,813.00
Lease	1,811.00	1,895.00	2,005.00
Provision of leases	441.00	401.00	401.00
Total	993,905.00	2,030,351.00	2,845,831.00

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According to the Listing Rules of the Shanghai Stock Exchange, the total amount of the related transactions is more than 5% of the percentage of net assets in the latest financial statements and are subject to consideration at the general meeting of the Company. In the meanwhile, as one or more of the applicable percentage ratios (other than the profits ratio) of the purchase of services transaction under the Framework Agreement is higher than 0.1% and less than 5.0%, therefore such continuing connected transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempted from the Independent Shareholders' approval requirement. In addition, as all the applicable percentage ratios of the transactions of provision of services, lease and provision of lease under the Framework Agreement are below 0.1%, therefore such continuing connected transactions under the Framework Agreement are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

According to the Listing Rules of the Shanghai Stock Exchange, when the board of directors of a listing company considers a related transaction, any related directors shall abstain from voting, thus Mr. Wei Jian Jun, as the related Director, abstained from voting for the resolution.

3. CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENT

On 20 February 2019, the Company entered into the Framework Agreement with Great Wall Holdings in relation to purchase of products, sales of products by the Company.

Parties

The Company (for itself and its subsidiaries) and Great Wall Holdings (for itself and its subsidiaries and associates).

Term of the Framework Agreement

The Framework Agreement will be effective from the date of the Framework Agreement to 31 December 2021.

Content of Transactions

Pursuant to the terms of the Framework Agreement, the Company shall conduct the following transactions with Great Wall Holdings:

- (i) to purchase products (including mainly power battery pack, T box, materials and steam) from Great Wall Holdings; and
- (ii) to sell products (including mainly complete vehicles, raw materials, manufacturing equipment and working position apparatus) to Great Wall Holdings.

LETTER FROM THE BOARD

The Framework Agreement was entered into on normal commercial terms. The particulars of the transactions contemplated thereunder such as the specific requirements for purchase of products, sales of products (including but not limited to specifications, quantities, prices, quality standards and guarantees, settlement methods and delivery methods), will be determined by the parties in specific agreements based on the principles set out in the Framework Agreement. In addition, pursuant to the Framework Agreement, the Group shall have the right to choose suppliers at their discretion and the prices payable by the Group to Great Wall Holdings and its subsidiaries and associates shall not be more than those charged by Independent Third Parties from the Group for same products supplied on similar terms. The price for sales of products will be no lower than the prices applicable to the sale of comparable types of products with comparable quality to the Independent Third Parties by the Company.

Pricing Policies

Pursuant to the Framework Agreement, the pricing policies for the transactions in relation to purchase of products, sales of products between the Group and Great Wall Holdings, shall be in compliance with the requirements of relevant laws, regulations and the Hong Kong Listing Rules, with reference to the prevailing market price charged by the Company for the purchase or provision of similar products to the Independent Third Parties in the ordinary course of business in accordance with normal commercial terms, and are determined based on fair and reasonable principles and normal commercial terms.

Transaction Category	Pricing Policies
Purchase of products by the Group from Great Wall Holdings	If the product has a government-prescribed price or guidance price, the Company will purchase the product from Great Wall Holdings at the government-prescribed price or guidance price. If there is no government-prescribed price or guidance price, the procurement price will be determined by the Company through open tendering, or by its business departments through reviewing and (if practicable) comparing at least two identical or comparable product quotations according to industry standards and market conditions, which is subject to the final negotiation with Great Wall Holdings.

LETTER FROM THE BOARD

Transaction Category	Pricing Policies
Sales of products by the Group to Great Wall Holdings	<p>If the product has a government-prescribed price or guidance price, such price will be adopted as the selling price. If there is no government-prescribed price or guidance price, the Company will determine and negotiate the selling price with reference to the prevailing fair market price of the comparable products and in accordance with the general commercial terms that are in the interest of the Company. The price at which the Company sells the product will not be lower than the above fair market price range.</p> <p>Terms of the product sales contract (including the price, sales policy, etc.) will be no more favorable than the terms applicable to the sale of comparable types of products with comparable quality to the Independent Third Parties by the Company.</p>

The government-prescribed prices stated above are published from time to time on the websites of the Department of Price under the National Development and Reform Commission, the price bureaus of local governments and competent price regulatory authorities (e.g. Hebei Development and Reform Commission (www.hebwj.gov.cn) and Baoding Development and Reform Commission at (www.fgw.bd.gov.cn)) in accordance with the Pricing Catalogues of the Central Government and Provinces (autonomous regions and municipalities directly under the central government). As there are no set frequency for the updating of the abovementioned reference prices, the Company checks the relevant websites on a regular basis (e.g. twice per week).

The transactions contemplated under the Framework Agreement will be conducted at any time in compliance with and in accordance with the guidelines, rules and regulations of the Hong Kong Listing Rules and relevant regulatory authorities.

LETTER FROM THE BOARD

Proposed Caps and Historical Amounts:

The table below sets out the proposed annual caps for the three years ending 31 December 2019, 2020 and 2021 by category between the Group and Great Wall Holdings:

RMB0'000

Category	For the year ending 31 December		
	2019	2020	2021
Purchase of products	596,500.00	1,373,200.00	1,799,100.00
Sales of products	382,605.00	649,904.00	1,038,920.00

The table below sets out the historical amounts for the three years ended 31 December 2016, 2017 and 2018 of the transactions by category between the Group and Great Wall Holdings:

RMB0'000

Category	For the year ended 31 December		
	2016	2017	2018
Purchase of products	0.30	0.23	3,349.17
Sales of products	38.93	100.55	296.49

Basis for Determining the Caps

(i) *Purchase of products by the Group*

The proposed annual caps for the purchase of products by the Group from Great Wall Holdings has been determined mainly with reference to (1) the proposed purchase of power battery pack by the Group from Honeycomb Energy, the proposed purchase of T box from Great Wall Sharing, the proposed purchase of power and materials from Bochuang Urban Construction and the proposed purchase of steam from Bo Chuang Property; (2) the Group's planned quantity for new energy automotive from 2019 to 2021 and the expected level of unit selling price; and (3) the expected purchase quantity and expected level of unit selling price of the Group's T-box, power, materials and steam from 2019 to 2021.

The Group's product purchase with Great Wall Holdings is expected to be mainly the Group's purchase of power battery pack from Honeycomb Energy. As Honeycomb Energy became the connected person of the Company in 2018, therefore the proposed annual caps of the purchase of products by the Group from Great Wall Holdings from 2019 to 2021 are expected to be significantly increased as compared with the historical amounts.

LETTER FROM THE BOARD

For 2019, the major products to be purchased from Great Wall Holdings will be the power battery packs to be purchased by the Group from Honeycomb Energy. Such power battery packs, however, will merely be assembled by Honeycomb Energy using the parts or components to be purchased by Honeycomb Energy from its independent suppliers. Since 2020, it is expected that Honeycomb Energy will commence the full production of the power battery packs (i.e. including the production of all the core parts and components).

The purchase of products transactions mainly involves the purchase of power battery packs by the Group from Honeycomb Energy. As Honeycomb Energy became a connected person of the Company in 2018, the Group expects that the transaction caps thereof from 2019 to 2021 will be significantly increased as compared with the historical amounts based on the following reasons and assumptions: (i) Honeycomb Energy will engage in, among other things, the sale of power battery packs (no provision of power battery packs processing service in 2020 and 2021); and (ii) expected increase in sale of the Group's electric vehicle after taking into account of current electric vehicle industry.

The reasons for the Group to purchase the power battery packs from Honeycomb Energy are as follows: (1) when purchasing power battery packs, the Company made price comparison among three potential vendors (including Honeycomb Energy). The price quotation of power battery pack of one of them is higher than that of Honeycomb Energy. The other party, although it didn't submit a quotation for the power battery packs, submitted quotation for modules (which is the core component/part of the power battery packs) which is far above that of Honeycomb Energy. Therefore, the price quotation of Honeycomb Energy is the lowest among the three potential vendors; (2) on the one hand, after Honeycomb Energy became a connected person of the Company, market competition can be introduced. On the other hand, Great Wall Holdings, the indirect controlling shareholder of Honeycomb Energy, can help ensure the supply of products with quality assurance by Honeycomb Energy due to the fact that Great Wall Holdings is a large conglomerate that encompasses automobile business, new energy power system business, finance business, real estate business, education business, medical care business and expressway business and has strong economic power with total assets of approximately RMB120 billion; and (3) as the power battery pack is subject to a certain cycle period of research and development, Honeycomb Energy can ensure a stable supply of batteries to the Company and the quality of the new energy complete vehicles in the event of tight production capacity of batteries in the market.

The Board of the Company currently consider that, taking into accounting of the price and quality of power batteries of Honeycomb Energy and the demand for the supply of power batteries in the market, the power battery pack supplied by Honeycomb Energy is the battery products with higher cost-effectiveness and the selection of the power battery pack supplied by Honeycomb Energy is conducive to the current development of the Group. In the future, by continuous comparison with other suppliers of power batteries in the market through price comparison, multi-dimensional evaluation and on-site inspection, the Group will adhere to the market-oriented principle to purchase the power battery pack and select the battery products with the most advanced technology, the most reliable quality and the highest cost-effectiveness by the means of market-oriented operation. In addition, the Board of the Company is of the

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view that the Company will not technically rely on Great Wall Holdings for supply of power battery packs. The technologies in power battery pack of Great Wall Holdings mainly comprise PACK (the Battery Pack) design, BMS (the Battery Management System) design, battery cell manufacturing and related processes, and solid-state battery technology, while the Group retains the patented technologies of the new energy finished automobiles, and focused on the development of battery systems for new energy vehicles at finished automobile level, therefore the Company will not rely on the supply of the power pack from Honeycomb Energy in terms of technology. Meanwhile, the Group will follow the market-oriented principle to select products that are in line with the development of the Group for purchasing the power battery pack and therefore will not rely on Great Wall Holdings.

(ii) Sale of products by the Group

The proposed annual caps for the sales of products by the Group to Great Wall Holdings has been determined mainly with reference to (1) the proposed sales of complete vehicles to Great Wall Sharing, the proposed sales of working position apparatus, manufacturing equipment, vehicles and raw materials by the Group to Honeycomb Energy and the proposed sales of stereo garage to Bochuang Urban Construction; (2) Great Wall Sharing's expected required quantity for complete vehicles from 2019 to 2021 and the expected level of unit selling price; and (3) the expected purchase quantity and expected level of unit selling price of Honeycomb Energy, Great Wall Sharing and Bochuang Urban Construction on working position apparatus, manufacturing equipment, vehicles, raw materials and stereo garage from 2019 to 2021.

The Group's product sales transactions with Great Wall Holdings are expected to be mainly the Group's sales of complete vehicles to Great Wall Sharing. As Great Wall Sharing will become the connected person of the Company (see the announcement of the Company dated 20 February 2019), therefore the proposed annual caps of the sales of products by the Group to Great Wall Holdings from 2019 to 2021 are expected to be significantly increased as compared with the historical amounts.

INTERNAL CONTROL PROCEDURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

The Company adopts and will continue to implement a set of standard internal control procedures on purchase of products and sales of products covered under the continuing connected transactions to ensure the continuing connected transactions are conducted in a fair and reasonable manner.

Purchase of Products Transaction

The Company implemented the standard control procedures, which comprise, inter alia, selection processes of suppliers, price determination processes, and quality evaluation processes of the products on its purchase of products transaction (including the proposed

LETTER FROM THE BOARD

continuing connected transaction in relation to the purchase of products) in order to ensure the pricing principles and policies of the above purchase of products transaction will be on industry standards and market conditions or terms which are no less favorable than those provided by the Independent Third Parties.

The Company's procurement department will, if practicable, select at least two independent third-party suppliers of the identical or comparable products to make product quotations and compare them to determine whether the prices of the products provided by the Company's connected parties meet the above pricing principles. The Company's finance department will confirm the specific contract signing of connected transactions on the specific purchases of products under the Framework Agreement, and monitor the specific amount of continuing connected transactions such as purchases on a monthly basis to ensure that the annual caps will not be exceeded and will be reported to the audit committee of the Company annually.

Sales of Products Transaction

The Company formulated the pricing policies on its sales of products transaction (including the proposed continuing connected transaction in relation to the sales of products) in order to ensure the price for sales of products will be no lower than the prices applicable to the sale of comparable types of products with comparable quality to the Independent Third Parties by the Company and the sales policy will be no more favorable than the terms applicable to the sale of comparable types of products with comparable quality to the Independent Third Parties by the Company.

The Company's finance department will estimate the cost of sales of products. The sales department will collect and analyze the prices of the same/similar products supplied by the competitors in the market from the customers and the sales network, and formulate the prices and selling policies of the final products based on the cost of sales. The Company's finance department will confirm the specific contract signing of connected transactions on the specific sales of products under the Framework Agreement, and monitor the specific amount of continuing connected transactions such as sales on a monthly basis to ensure that the annual caps will not be exceeded and will be reported to the audit committee of the Company annually.

LETTER FROM THE BOARD

Review by the Independent Non-Executive Directors and Auditors

The independent non-executive directors are required to review the continuing connected transactions on an annual basis and to confirm in the annual report of the Company as to whether the continuing connected transactions have been (i) conducted in the ordinary and usual course of business of the Group; (ii) based on normal commercial terms or better terms; (iii) entered into in accordance with the relevant regulatory agreements; and (iv) entered into on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditors of the Company are required to provide a letter to the Board each year (the copy of which must be submitted to the Hong Kong Stock Exchange at least 10 business days before the printing of annual report) to confirm whether they have noticed anything that would enable them to consider that the continuing connected transactions (i) were not approved by the Board; (ii) were not conducted in accordance with the agreement in all material aspects; and (iii) have exceeded the annual caps as set by the Company.

Based on the above, the Company's internal control procedures are effective to ensure that the continuing connected transactions under the Framework Agreement will be conducted on normal or better commercial terms without prejudice to the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Company has entered into the Framework Agreement with Great Wall Holdings in relation to purchase of products, sales of products which involve primarily purchase of power battery pack by the Company from Honeycomb Energy and sales of complete vehicles to Great Wall Sharing.

The continuing connected transactions between the Group and Great Wall Holdings were entered into in the ordinary course of business, which is conducive to the reasonable allocation of resources pursuant to the advantages on resources of the parties and the improvement of manufacturing efficiency, and is in line with the Company's business development needs for the following reasons: (1) the Group will be provided with a timely and stable power battery pack with quality assurance for its new energy complete vehicles business line at reasonable prices by Honeycomb Energy through the purchase of power battery pack by the Group from Honeycomb Energy and the service of processing of power battery pack to be provided by Honeycomb Energy, thereby reducing operating risks and costs, and enhancing the daily production management of the Group; (2) the Group can avoid the risk of market fluctuations through transactions such as sales of working position apparatus, raw materials to Honeycomb Energy and sales of complete vehicles to Great Wall Sharing, as well as improve the overall sales scale of the Group. The sales are conducted in the ordinary course of business of the Group in accordance with normal commercial terms, and the sales of products transaction are in the interests of the Group.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES INVOLVED

(i) Information on the Company

The Company is an integrated automobile manufacturer and together with its subsidiaries, the Group also engages in the production and sales of certain automotive parts and components.

(ii) Information on Great Wall Holdings

Great Wall Holdings is principally engaged in corporate headquarter management; research and development, technological services, manufacturing and after-sales services of lithium-ion batteries, energy storage batteries, fuel batteries and solar equipment; IT consulting services; new energy technology development, transfer and promotion services; development and sales of computer software and hardware; construction and management of park infrastructure; development of education software; planting of garden plants; sales of various household supplies; enterprise management consulting; leasing of owned properties; park industrial services; health management services; energy conservation management services; public relation services; conference & exhibition services; leasing of owned equipment. (Business activities requiring regulatory approval shall not be carried out before such approval has been obtained from relevant authorities).

HONG KONG LISTING RULES IMPLICATIONS

Great Wall Holdings is a company held as to 99% by Mr. Wei Jian Jun, the Chairman of the Board of the Company. Meanwhile, Innovation Great Wall, a controlling Shareholder of the Company, holds 56.04% of issued share capital of the Company, which is in turn held as to 62.854% by Great Wall Holdings. Accordingly, Great Wall Holdings is a connected person (as defined under the Hong Kong Listing Rules) of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) of the purchase of products transaction and the sales of products transaction under the Framework Agreement is higher than 5%, therefore, the purchase of products transaction and the sales of products transaction are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As all the applicable percentage ratios of all the continuing connected transactions under the Framework Agreement conducted since 1 January 2019 are below 0.1%, therefore such continuing connected transactions are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the relevant transactions contemplated under the Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

As Great Wall Holdings is the associate of Mr. Wei Jian Jun, the Director of the Company, and Mr. Wei Jian Jun has material interests in the transactions under the Framework Agreement, he has abstained from voting on the Board resolutions in relation to the continuing connected transactions as specified in this circular.

4. EGM

The EGM will be held at 2:00 p.m. on Friday, 12 April 2019 at the Company's Conference Room, No.2266 Chaoyang Road South, Baoding, Hebei Province, the PRC. The notice convening the EGM, together with the relevant reply slip and proxy form, have been sent to the Shareholders on 20 February 2019.

Pursuant to the requirements of the Hong Kong Listing Rules and the Listing Rules of the Shanghai Stock Exchange, Connected (related) Shareholders shall be required to abstain from voting at the EGM in relation to all resolutions to be proposed at the EGM. Innovation Great Wall and Great Wall Holdings are the Connected (related) Shareholders of the Company, and shall be required to abstain from voting at the EGM in relation to all resolutions. Innovation Great Wall holds 5,115,000,000 A Shares of the Company (shall be required to abstain from voting in relation to all resolutions), which accounts for 56.04% of total number of Shares of the Company; Great Wall Holdings holds 30,018,500 H Shares of the Company (shall be required to abstain from voting in relation to all resolutions), which accounts for 0.33% of total number of Shares of the Company.

5. BOOK CLOSURE PERIOD

In order to determine the Shareholders who will be entitled to attend and vote at the EGM, the H Share register of members of the Company will be closed from Wednesday, 13 March 2019 to Friday, 12 April 2019 (both days inclusive), during which no transfer of H Shares will be effected. H Shareholders whose names appear on the H Share register of members of the Company at 4:30 p.m. on Tuesday, 12 March 2019 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, all completed share transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 12 March 2019.

6. VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of Hong Kong Listing Rules, all votes of the Shareholders at general meetings must be taken by poll. The chairman of the meeting shall demand a poll for every resolution put to vote at the EGM in accordance with the Articles of Association. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of Hong Kong Listing Rules.

LETTER FROM THE BOARD

H Shareholder(s) who wish(es) to appoint a proxy/proxies to attend the EGM are requested to complete and sign the proxy forms in accordance with the instructions contained therein, and deliver the forms to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the times fixed for the EGM.

7. RECOMMENDATION

The Directors believe that the proposed resolutions are necessary or in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

8. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Wei Jian Jun
Chairman

Baoding, Hebei Province, the People's Republic of China



長城汽車股份有限公司

GREAT WALL MOTOR COMPANY LIMITED*

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

(Stock Code: 2333)

22 March 2019

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 22 March 2019 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We, as the Independent Non-executive Directors who form the Independent Board Committee, hereby advise the Independent Shareholders on whether the purchase of products and sales of products transactions and proposed annual caps under the Framework Agreement (details of which are set out in the Letter from the Board of the Circular) are conducted in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Gram Capital has been appointed as the Independent Financial Adviser of the Company and has advised the Independent Board Committee and the Independent Shareholders of the Company on the same matter.

Recommendation

After considering the Letter from the Board and the advice of Gram Capital, we consider that the purchase of products and sales of products transactions and proposed annual caps under the Framework Agreement are conducted in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Our opinions on such fairness and reasonableness are based on the information, facts and circumstances currently available to us.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

As such, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM, so as to approve the purchase of products and sales of products continuing connected transactions as well as the proposed annual caps under the Framework Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee

Great Wall Motor Company Limited

Mr. Ma Li Hui Mr. Li Wan Jun Mr. Ng Chi Kit

Independent Non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of purchase of products and sales of products contemplated under the Framework Agreement for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

22 March 2019

To: *The independent board committee and the independent shareholders
of Great Wall Motor Company Limited**

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the purchase of products (the “**Purchase Transactions**”) and sale of products (the “**Sale Transactions**”, together with the Purchase Transactions, the “**Transactions**”) contemplated under the Framework Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 22 March 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 20 February 2019, the Company entered into the Framework Agreement with Great Wall Holdings in relation to, among other things, the Purchase Transactions and the Sale Transactions for the three years ending 31 December 2021.

With reference to the Board Letter, the Purchase Transactions and the Sale Transactions constitute non-exempt continuing connected transactions of the Company and shall be subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. Ma Li Hui, Mr. Li Wan Jun and Mr. Ng Chi Kit has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should

LETTER FROM GRAM CAPITAL

vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Great Wall Holdings and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of entering into of the Framework Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the

LETTER FROM GRAM CAPITAL

Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides that, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Purchase Transactions and the Sale Transactions, we have taken into consideration the following principal factors and reasons:

Background of the Transactions

Information on the Company

With reference to the Board Letter, the Company is an integrated automobile manufacturer and together with its subsidiaries, the Group also engages in the production and sales of certain automotive parts and components.

Information on Great Wall Holdings

With reference to the Board Letter, Great Wall Holdings is principally engaged in corporate headquarter management; research and development, technological services, manufacturing and after-sales services of lithium-ion batteries, energy storage batteries, fuel batteries and solar equipment; IT consulting services; new energy technology development, transfer and promotion services; development and sales of computer software and hardware; construction and management of park infrastructure; development of education software; planting of garden plants; sales of various household supplies; enterprise management

LETTER FROM GRAM CAPITAL

consulting; leasing of owned properties; park industrial services; health management services; energy conservation management services; public relation services; conference & exhibition services; leasing of owned equipment.

Reasons for and benefit of entering into the Framework Agreement

As advised by the Directors, the development strategy of the Company is to focus on SUVs, building a professional SUV brand and becoming a global leader in SUV; cutting-edge technology in innovative electronics, intelligent driving and Internet access will be developed, with research and development of new energy vehicles, intelligent vehicles and key components being carried out; the Company will provide its customers with integrated solutions for smart travel as the trends of electrification, networking, intelligent driving and sharing sweep across the globe. The Company is also proactive in integrating resources to develop models of new energy automotive and engages in the planning and development of EV, HEV and PHEV, which involve different types of technology.

With reference to the Board Letter, the Company has entered into the Framework Agreement with Great Wall Holdings in relation to purchase of products (which involve primarily purchase of power battery pack by the Company from Honeycomb Energy, an indirect subsidiary of Great Wall Holdings), sales of products (which involve primarily sales of complete vehicles to Great Wall Sharing Group) and purchase of services. The Purchase Transactions will allow the Company to be provided with power battery pack parts and components with quality assurance for its new energy automotive business line at reasonable prices by Honeycomb Energy. Meanwhile, the Sale Transactions may allow the Company to have stable income.

As confirmed by the Directors, as the Transactions are conducted in the ordinary and usual course of business of the Group and on a frequent and regular basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Hong Kong Listing Rules, if necessary. Accordingly, the Directors are of the view that the Transactions will be beneficial to the Company and the Shareholders as a whole.

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

Principal terms of the Purchase Transactions and Sales Transactions

Date

20 February 2019

LETTER FROM GRAM CAPITAL

Parties

The Company (for itself and its subsidiaries) and Great Wall Holdings (for itself and its subsidiaries and associates).

Nature of transactions

The Company shall (1) purchase products (including mainly power battery pack, T box, materials and steam) from Great Wall Holdings (i.e. the Purchase Transactions); (2) purchase services (including mainly pipeline construction, testing, processing, hazardous wastes disposal and green service) from Great Wall Holdings; and (3) sell products (including mainly complete vehicles, raw materials, manufacturing equipment and working position apparatus) to Great Wall Holdings (i.e. the Sale Transactions).

The Framework Agreement was entered into on normal commercial terms. The particulars of the transactions contemplated thereunder such as the specific requirements for purchase of products, sales of products, and purchase of service (including but not limited to specifications, quantities, prices, quality standards and guarantees, settlement methods and delivery methods), will be determined by the parties in specific agreements based on the principles set out in the Framework Agreement. In addition, pursuant to the Framework Agreement, the Group shall have the right to choose suppliers at their discretion and the prices payable by the Group to Great Wall Holdings and its subsidiaries and associates shall not be more than those charged by independent third parties from the Group for same products supplied on similar terms. The price for sales of products will be no lower than the prices applicable to the sale of comparable types of products with comparable quality to the Independent Third Parties by the Company.

Expiration of the Framework Agreement

From the date of the Framework Agreement to 31 December 2021.

Pricing principles

The pricing policies for the transactions in relation to purchase of products, sales of products and purchase of services between the Group and Great Wall Holdings, shall be in compliance with the requirements of relevant laws, regulations and the Hong Kong Listing Rules, with reference to the prevailing market price for the purchase or provision of similar products and services by the Group to the Independent Third Parties in the ordinary course of business in accordance with normal commercial terms, and are determined based on fair and reasonable principles and normal commercial terms.

LETTER FROM GRAM CAPITAL

A. *Purchase Transactions*

If the product has a government-prescribed price or guidance price, the Company will purchase the product from Great Wall Holdings at the government-prescribed price or guidance price. If there is no government-prescribed price or guidance price, the procurement price will be determined by the Company through open tendering, or by its business department through reviewing and (if practicable) comparing at least two identical or comparable product quotations according to industry standards and market conditions, which is subject to the final negotiation with Great Wall Holdings.

For our due diligence purpose, we obtained a contract entered into between the Group and Honeycomb Energy regarding the purchase of power battery packs (to be the main products under the Purchase Transactions) by the Group. As confirmed by the Directors, the aforesaid purchase contract was the only contract regarding the purchase of power battery packs by the Group from its connected person as at the Latest Practicable Date.

Upon our further request, the Directors provided supporting document showing that,

- (i) supplier was selected among Honeycomb Energy and two independent third parties before the entering into of the purchase contract with reference to various factors, such as price quotations, quality, payment term, etc.;
- (ii) only one of the two independent third parties (“**Party A**”) provided quotation for power battery packs, while another one (“**Party B**”) only provided quotation for module (模組), being part of the power battery packs;
- (iii) module prices offered by Honeycomb Energy and Party A represented approximately 79% and 76% to power battery pack prices offered by them respectively;
- (iv) despite that Party B did not offer quotation for power battery packs, module price offered by Party B represented approximately (a) 97.5% to power battery pack price offered by Honeycomb Energy; and (b) 96.6% to power battery pack price offered by Party A; and
- (v) Honeycomb Energy provided a lower price for power battery packs than Party A.

LETTER FROM GRAM CAPITAL

B. Sale Transactions

If the product has a government-prescribed price or guidance price, such price will be adopted as selling price. If there is no government-prescribed price or guidance price, the Company will determine and negotiate the selling price with reference to the prevailing fair market price of the comparable products and in accordance with the general commercial terms that are in the interest of the Company. The price at which the Company sells the product will not be lower than the fair market price range. Terms of the product sales contract (including the price, sales policy, etc.) will be no more favourable than the terms applicable to the sale of comparable types of products with comparable quality to the Independent Third Parties by the Company.

As advised by the Directors, the sale of electric vehicles to Great Wall Sharing Group (as defined below) represented a significant portion to the total estimated sales under the Sale Transactions for each of the three years ending 31 December 2021. Great Wall Sharing Group (as defined below) were wholly-owned subsidiaries of the Company as at the date of Framework Agreement but became connected persons since 1 March 2019 due to the Company's disposal of Great Wall Sharing to Great Wall Holdings. Therefore, we consider that it would be not meaningful to compare the Group's sale of electric vehicles to Great Wall Sharing Group (as defined below) (being wholly-owned subsidiaries of the Company as at the date of Framework Agreement) with those sale of electric vehicles from the Group to Independent Third Parties.

Furthermore, we understood that the Group will adopt a series of internal control measures to ensure the Transactions are conducted in a fair and reasonable manner. Details of the internal control measures are set out under the section headed "Internal Control Procedures in relation to the Continuing Connected Transactions" of the Board Letter. We noted that the internal control measures:

- (i) for Purchase Transactions (a) included selection processes of suppliers, price determination processes for Purchase Transactions; and (b) involved different departments during the transactions; and
- (ii) for Sale Transactions (a) included price collection and analysis procedures; and (b) involved different departments during the transactions.

We consider that the effective implementation of the internal control mechanism would help to ensure fair pricing of the Transactions according to the pricing policy.

For our due diligence purpose, we further discussed with senior management, staff of relevant departments/subsidiaries and understood that the Company's senior management, aforementioned staffs are aware of the internal control measures and will comply with such measures when conducting the Transactions.

LETTER FROM GRAM CAPITAL

In light of the above, we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The proposed annual caps

A. Purchase Transactions

Set out below are (i) historical amounts of the Purchase Transactions for the three years ended 31 December 2018; and (ii) proposed annual caps of the Purchase Transactions for the three years ending 31 December 2021 (the “**Purchase Caps**”):

	For the year ended 31 December 2016 <i>RMB'000</i>	For the year ending 31 December 2017 <i>RMB'000</i>	For the year ended 31 December 2018 <i>RMB'000</i>
Historical amounts	3	2.3	33,491.7
	For the year ending 31 December 2019 <i>RMB'000</i>	For the year ending 31 December 2020 <i>RMB'000</i>	For the year ending 31 December 2021 <i>RMB'000</i>
Purchase Caps	5,965,000	13,732,000	17,991,000

The basis for determining Purchase Caps for the three years ending 31 December 2021 are set out under section headed “Proposed Caps and Historical Amounts” of the Board Letter.

We noted that the Purchase Caps for the three years ending 31 December 2021 represented significant increases as compared to the historical transactions of the Purchase Transactions. As advised by the Company, the substantial increase of the Purchase Caps is mainly due to the proposed purchase of power battery pack from connected persons.

We further enquired into the Directors regarding the estimated demand on power battery pack and noted that the estimated demand on power battery pack (the “**Power Battery Demand**”) represented over approximately 99% to the estimated demand on all products under the Purchase Transactions (the “**Total Estimated Demand**”) for each of the three years ending 31 December 2021. The Directors further advised us (i) a power battery pack is required for manufacture of each electric vehicle; (ii) the estimated number of power battery pack to be purchased from connected persons; and (iii) the purchase price for power battery pack.

LETTER FROM GRAM CAPITAL

2019 Total Estimated Demand

We noted from the Company's annual report for FY2017 that during the 2017, the Group actively developed new energy vehicles. In May 2017, the Group launched its first all-electric new energy model "C30EV". Meanwhile, the Company made an investment in an Australian lithium ore company to accelerate the pace of development of the new energy business.

According to the Company's voluntary announcement dated 8 January 2019 and as further advised by the Directors, the sales volume and production volume for the Group's electric vehicles (i.e. Great Wall C30 EV, ORA iQ and P8) were approximately 8,621 and 9,133 for the year ended 31 December 2018 (FY2017: 2,718 and 2,964).

According to the Company's announcement dated 25 January 2019, based on the macro-economic development, the overall demand of the automobile industry and the conditions of the Company's new product launch, the Company has set the sales volume target of all types of vehicles manufactured by the Group for the year of 2019 at 1.2 million units (actual sales volume for 2018: approximately 1.05 million units). The Directors further advised us the target sales volume for electric vehicles, being approximately 10% to 15% to target sales volume for all types of vehicles. The total estimated number of power battery pack for 2019 (including (a) power battery pack to be processing by Honeycomb Energy^(Note); and (b) power battery pack to be purchased from Honeycomb Energy), which indicated the number of electric vehicles, was in line with the aforesaid target of electric vehicles for 2019. The estimated number of power battery pack to be purchased from Honeycomb Energy represented approximately 70% to the total estimated number of power battery pack for 2019 (including (a) power battery pack to be processing by Honeycomb Energy^(Note); and (b) power battery pack to be purchased from Honeycomb Energy).

Based on the above, we consider that the estimated number of power battery pack to be purchased from connected persons to be acceptable.

To assess the reasonableness of purchase price for each power battery pack, we obtained from the Company an invoice regarding purchase of power battery pack by the Group from Honeycomb Energy. We noted from the invoice that the estimated purchase price for each power battery pack was approximately 37% higher than the price as shown in the invoice. As advised by the Directors, such increase was determined after taking into account of that the Group expected to purchase power battery pack with larger power capacities than the previous purchased power battery pack.

Note: Honeycomb Energy will process the raw materials (which will be prepared by the Group) to become power battery packs.

LETTER FROM GRAM CAPITAL

Having considered both (a) estimated number of power battery pack to be purchased from Honeycomb Energy for the year ending 31 December 2019; and (b) estimated purchase price for power battery pack for the year ending 31 December 2019 to be acceptable, we are of the view that the estimated demand on power battery pack for the year ending 31 December 2019 to be acceptable.

Pursuant to the Framework Agreement, the Company shall, among other things, purchase products which includes mainly power battery pack, T box, materials and steam from Great Wall Holdings. The Company also reserved a room for the possible demand on products other than power battery pack for the year ending 31 December 2019. Such room represented less than 1% to the Total Estimated Demand for the year ending 31 December 2019.

Based on the above factors, we are of the view that the Total Estimated Demand for the year ending 31 December 2019 to be acceptable.

2020 Total Estimated Demand

We noted that the Total Estimated Demand for the year ending 31 December 2020 represented a significant increase of approximately 130% as compared to that for the year ending 31 December 2019. The aforesaid significant increase was mainly due to the significant increase of approximately 129% in Power Battery Demand for the year ending 31 December 2020. The increase in Power Battery Demand for the year ending 31 December 2020 was mainly due to the increase in estimated number of power battery packs to be purchased by the Group from Honeycomb Energy for the year ending 31 December 2020 as compared to that for 2019, representing an increase of approximately 129%, as the result of (i) Honeycomb Energy will engage in, among other things, the sale of power battery packs (no provision of power battery packs processing service in 2020 and 2021); and (ii) expected increase in sale of the Group's electric vehicle after taking into account of current electric vehicle industry.

Upon our further enquiry, the Directors advised us that Honeycomb Energy is in the construction period for the new plant which produce modules, being a core material for producing power battery pack. The construction started in June 2018 and the Directors expect that the new plant will be completed in December 2019. Production will commence in January 2020.

Currently, the Group obtained power battery packs from Honeycomb Energy by two ways: (i) purchasing of power battery packs which are produced by Honeycomb Energy; and (ii) accepting services from Honeycomb Energy for processing the raw materials (which were prepared by the Group) to become power battery packs. Based on the Directors' understanding from Honeycomb Energy, (i) Honeycomb Energy will not provide its power battery packs processing service in 2020 and 2021; and (ii) Honeycomb Energy is able to satisfy the Group's estimated demand on power battery packs for the three years ending 31 December 2021.

LETTER FROM GRAM CAPITAL

The total estimated number of power battery pack for the year ending 31 December 2020 represented an increase of approximately 61% as compared to the total estimated number of power battery pack for the year ending 31 December 2019 (including (a) power battery pack to be processing by Honeycomb Energy; and (b) power battery pack to be purchased from Honeycomb Energy).

According 2018 年汽車工業經濟運行情況 (Status of Vehicles Industry for 2018*) as published by China Association of Automobile Manufacturers in January 2019, there was a substantial increase in sale of new energy automobiles (including electric vehicles) during 2018. There were 986,000 and 984,000 pure electric vehicles being manufactured and sold in 2018, representing increases of 47.9% and 50.8% as compared to those in 2017 respectively. As the Group launched electric vehicles in recent two years and having also considered the aforesaid statistics, the Directors expected there would be a substantial growth in the sale of electric vehicles being manufactured by the Group.

Based on the above factors, we are of the view that the Total Estimated Demand for the year ending 31 December 2020 to be acceptable.

2021 Total Estimated Demand

We noted that the Total Estimated Demand for the year ending 31 December 2021 represented a substantial increase of approximately 31% as compared to that for the year ending 31 December 2020. As advised by the Directors, the aforesaid substantial increase was mainly due to the substantial increase of approximately 31% in Power Battery Demand for the year ending 31 December 2021.

Having considered the as-mentioned-above increases of electric vehicles which were manufactured and sold for 2018 as compared to those in 2017 respectively (i.e. 47.9% and 50.8%) and the Total Estimated Demand for the year ending 31 December 2020 to be acceptable, we are of the view that the Total Estimated Demand for the year ending 31 December 2021 to be acceptable.

Buffer

As further advised by the Directors, a buffer of approximately 10% was applied on the Total Estimated Demand for each of the three years ending 31 December 2021 so as to accommodate any unexpected increase in the demands on such products and/or unexpected increase in the cost of such products during the three years ending 31 December 2021. Having considered (i) that the unexpected circumstances may take place during the three years ending 31 December 2021; and (ii) the buffer would provide flexibility in the event that the actual demand was more than the Total Estimated Demand for the three years ending 31 December 2021 (which was estimated based on various assumptions), we consider that the buffer to be acceptable.

LETTER FROM GRAM CAPITAL

In light of the above factors, we consider that the Purchase Caps for the three years ending 31 December 2021 to be fair and reasonable.

Shareholders should note that as the Purchase Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2021, and they do not represent forecasts of revenue/cost to be incurred from the Purchase Transactions. Consequently, we express no opinion as to how closely the actual revenue/cost to be incurred from the Purchase Transactions will correspond with the Purchase Caps.

B. Sale Transactions

Set out below are (i) historical amounts of the Sale Transactions for the three years ended 31 December 2018; and (ii) proposed annual caps of the Sale Transactions for the three years ending 31 December 2021 (the “**Sale Caps**”):

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical amounts	389.3	1,005.5	2,964.9

	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale Caps	3,826,050	6,499,040	10,389,200

The basis for determining Sale Caps for the year ending 31 December 2019, 2020 and 2021 are also set out in sub-section headed “Proposed Caps and Historical Amounts” of the Board Letter.

We noted that the Sale Caps for the three years ending 31 December 2021 represented significant increases as compared to the historical transactions of the Sale Transactions. As advised by the Company, the substantial increase of the Sale Caps is mainly due to the sale of electric vehicles by the Group to Tianjin Great Wall Sharing Car Service Company Limited (“**Great Wall Sharing**”, together with its subsidiaries, the “**Great Wall Sharing Group**”), which was a wholly-owned subsidiary of the Company but became a connected person since 1 March 2019 due to the Company’s disposal of Great Wall Sharing to Great Wall Holdings^(Note). Great Wall Sharing has three wholly-owned subsidiaries, namely Oula Information Service Co., Ltd. (“**Oula Information**”), Haval Automotive Rental Co., Ltd. and Fenshi Technology Co., Ltd..

Note: Details of the disposal were set out in the Disposal Announcement.

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2019 Total Estimated Sales

We further enquired into the Directors regarding the estimated sale amounts of vehicles (including electric vehicles and traditional vehicles, the “**2019 Vehicles Amounts**”) and noted that the 2019 Vehicles Amounts represented around 98% to the estimated demand on all products under the Sale Transactions (the “**Total Estimated Sales**”) for each of the three years ending 31 December 2021. We also noted that the estimated sale amounts of electric vehicles represented approximately 85% to the 2019 Vehicles Amounts.

With reference to the Company’s announcement dated 20 February 2019 in respect of the disposal of subsidiaries (the “**Disposal Announcement**”), the Company entered into the an equity transfer agreement with Great Wall Holdings, pursuant to which the Company agreed to sell and Great Wall Holdings agreed to acquire 100% of the equity interest in Great Wall Sharing, a wholly-owned subsidiary of the Company as at the date of the Disposal Announcement. Upon the completion of the disposal, Great Wall Sharing will cease to be a subsidiary of the Company and become a connected person of the Company. Great Wall Sharing is principally engaged in, among other things, car rental.

According to the Company’s website and as confirmed by the Directors, Oula Information proposed to accelerate the expansion in the PRC market by targeting to own 200,000 units of vehicles (mainly electric vehicles) in 2020 and covering service areas of 200 cities in the PRC. As at 31 January 2019, Great Wall Sharing Group owned approximately 10,300 units of vehicles, of which approximately 4,000 units were traditional vehicles and approximately 6,300 units were electric vehicles.

For our due diligence purpose, we also obtained purchase plan of Great Wall Sharing Group, showing the proposed units of electric vehicles (including R1 and iQ models) during 2019. We noted that the estimated units of electric vehicles to be sold to connected persons during 2019 is in line with Great Wall Sharing Group’s purchase plan. As such, we consider that the estimated units of electric vehicles to be acceptable.

We also obtained the estimated units of traditional vehicles (including H6 and VV5 models) to be purchased by Great Wall Sharing Group for the year ending 31 December 2019. As advised by the Directors, Great Wall Sharing Group will mainly focus on the electric vehicles leasing business, therefore the Directors assumed a small amount of traditional vehicles sales (being approximately 10% to the estimated units of electric vehicles for 2019).

In respect of selling price of R1, iQ, H6 and VV5 models, we noted that estimated selling prices of R1, iQ, H6 and VV5 models are within their respective selling price ranges as announced on the Company’s website.

Due to the bulk purchase, the Company applied a discount on the 2019 Vehicles Amounts. The Directors also considered the tax effect. Having considered the above factors, we are of the view that the 2019 Vehicles Amounts to be acceptable.

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Pursuant to the Framework Agreement, the Company shall, among other things, sell products including mainly complete vehicles, raw materials, manufacturing equipment and working position apparatus to Great Wall Holdings under the terms and conditions thereof. The Company also reserved a room for the possible demand on products other than complete vehicles for the year ending 31 December 2019. Such room represented less than 2% to the Total Estimated Sales for the year ending 31 December 2019.

Based on the above factors, we are of the view that the Total Estimated Sales for the year ending 31 December 2019 to be acceptable.

2020 & 2021 Total Estimated Sales

We noted that the Total Estimated Sales for the year ending 31 December 2020 represented a substantial increase of approximately 70% as compared to that for the year ending 31 December 2019; while the Total Estimated Sales for the year ending 31 December 2021 represented a substantial increase of approximately 60% as compared to that for the year ending 31 December 2020. As confirmed by the Directors, the aforesaid substantial increases were mainly due to the estimated substantial increase of electric vehicles to be purchased by Great Wall Sharing Group for each of the two years ending 31 December 2021.

For our due diligence purpose, we obtained internal document showing the purchase plan of Great Wall Sharing Group for the year ending 31 December 2020 and 2021. We noted that Great Wall Sharing Group's estimated demand on electric vehicles for the two years ending 31 December 2021 were in line with the purchase plan.

As Great Wall Sharing Group launched electric vehicles leasing business in recent two years and having also considered the electric vehicles industry statistics as mentioned above, the Directors expected there would be a substantial growth in the purchase of electric vehicles.

Having also considered (i) Great Wall Sharing Group's development plan as mentioned above; and (ii) the electric vehicles industry statistics as mentioned above, we are of the view that the Total Estimated Sales for each of the two years ending 31 December 2021 to be acceptable.

Buffer

As further advised by the Directors, a buffer of approximately 10% was applied on the Total Estimated Sales for each of the three years ending 31 December 2021 so as to accommodate any unexpected increase in the demands on such products and/or unexpected increase in the electric vehicles' selling prices during the three years ending 31 December 2021. Having considered (i) that the unexpected circumstances may take place during the three years ending 31 December 2021; and (ii) the buffer would provide

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flexibility in the event that the actual demand was more than the Total Estimated Sales for the three years ending 31 December 2021 (which was estimated based on various assumptions), we consider that the buffer to be acceptable.

In light of the above factors, we consider that the Sale Caps for the three years ending 31 December 2021 to be fair and reasonable.

Shareholders should note that as the Sale Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2021, and they do not represent forecasts of revenue/cost to be incurred from the Sale Transactions. Consequently, we express no opinion as to how closely the actual revenue/cost to be incurred from the Sale Transactions will correspond with the Sale Caps.

Hong Kong Listing Rules implications

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the values of the Transactions must be restricted by their respective proposed annual caps for the period concerned under the Framework Agreement; (ii) the terms of the Transactions (including their respective proposed annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the listed issuer's group; and (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded their respective proposed annual caps.

In the event that the total amounts of the Transactions are anticipated to exceed their respective proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction.

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

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RECOMMENDATION

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

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong 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

Directors' and Supervisors' Interests in Securities

As at the Latest Practicable Date, the interests and short positions of each of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning as defined in Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO (including the interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name of Director/supervisor	Capacity/ Nature of interest	Number of shares	Approximate	Approximate	Approximate
			percentage of A Shares (%)	percentage of H Shares (%)	percentage of total number of shares (%)
Mr. Wei Jian Jun	Interests in controlled companies	5,115,000,000 (L) (A Shares)	84.86	–	56.04
Total		5,115,000,000 (L) (A Shares)	84.86	–	56.04

Note: (L) denotes a long position in shares of the Company

Interests in Controlled Companies

As at the Latest Practicable Date, Innovation Great Wall was controlled by Great Wall Holdings, which was in turn controlled by Mr. Wei Jian Jun. Accordingly, pursuant to the SFO, Mr. Wei Jian Jun was deemed to be interested in the 5,115,000,000 A Shares held by Innovation Great Wall.

Save as disclosed above, so far as the Directors of the Company are aware, and as at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept as referred to in Section 352 of the SFO or were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. For this purpose, the relevant provisions of the SFO shall be construed as if they were applicable to the supervisors.

3. SUBSTANTIAL SHAREHOLDERS

Shares Held by Substantial Shareholders

As at the Latest Practicable Date, the following Shareholders (excluding the Directors, supervisors and chief executives of the Company) had interests or short positions in any shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	No. of shares	Approximate percentage of A Shares (%)	Approximate percentage of H Shares (%)	Approximate percentage of total number of shares (%)
Innovation Great Wall (<i>Note 1</i>)	5,115,000,000 (L)	84.86	–	56.04
	(A Shares)			
Great Wall Holdings (<i>Note 2</i>)	5,145,018,500 (L)	84.86	–	56.37
	(A Shares)			
Citigroup Inc.	318,600,096 (L)	–	10.27 (L)	3.49 (L)
	(H Shares)			
	143,634,462 (S)		4.63 (S)	1.57 (S)
	(H Shares)			
	153,627,595 (P)		4.95 (P)	1.68 (P)
	(H Shares)			
BlackRock, Inc.	202,362,965 (L)	–	6.53 (L)	2.21 (L)
	(H Shares)			
	10,839,000 (S)		0.35 (S)	0.12 (S)
	(H Shares)			
Han Xue Juan (<i>Note 3</i>)	5,115,000,000 (L)	84.86	–	56.04
	(A Shares)			
Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體 資產經管中心) (<i>Note 4</i>)	5,115,000,000 (L)	84.86	–	56.04
	(A Shares)			

(L) denotes a long position in shares of the Company

(S) denotes a short position in shares of the Company

(P) denotes shares available for lending

Notes:

- (1) Innovation Great Wall (formerly known as Baoding Woerte Management Consultant Company Limited (保定市沃爾特管理諮詢有限公司) was established on 1 December 2005. Its place of incorporation is Baoding, Hebei Province, the PRC and its registered address is 2066 Chaoyang South Street, Lianchi District, Baoding. Its business scope covers investments in manufacturing, real estate and horticulture industries, as well as corporate planning and management consultancies (operations that require pre-approvals according to laws and administrative regulations or as prescribed by the State Council can only be conducted after obtaining approvals). As at the Latest Practicable Date, 62.854%, 0.125%, 0.001% and 37.02% equity interest in Innovation Great Wall were held by Great Wall Holdings, Mr. Wei Jian Jun, Ms. Han Xue Juan and Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經營中心), respectively. Further, 99% and 1% equity interest in Great Wall Holdings (長城控股) were held by Mr. Wei Jian Jun and Ms. Han Xue Juan, respectively. Therefore, Innovation Great Wall is a company controlled by Great Wall Holdings (長城控股), which is in turn controlled by Mr. Wei Jian Jun and Mr. Wei Jian Jun is deemed to be interested in all the shares of the Company held by Innovation Great Wall pursuant to the SFO.
- (2) As at the Latest Practicable Date, Great Wall Holdings (長城控股) held 62.854% equity interest in Innovation Great Wall and is deemed to be interested in all the shares of the Company held by Innovation Great Wall for the purposes of the SFO and at the same time, Great Wall Holdings held interests in 30,018,500 H shares.
- (3) As at the Latest Practicable Date, Ms. Han Xue Juan held 0.001% equity interest in Innovation Great Wall and 1% equity interest in Great Wall Holdings (長城控股), and is the spouse of Mr. Wei Jian Jun. Ms. Han Xue Juan is deemed to be interested in all the shares of the Company in which Mr. Wei Jian Jun is interested for the purposes of the SFO.
- (4) As at the Latest Practicable Date, Management Centre of Collective Assets of Nandayuan Town, Lianchi District, Baoding (保定市蓮池區南大園鄉集體資產經營中心) held 37.02% equity interest in Innovation Great Wall and is deemed to be interested in all the shares of the Company held by Innovation Great Wall for the purposes of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors, supervisors and chief executives of the Company are aware, no other person (excluding the Directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

4. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company have been made up.

5. SERVICE CONTRACTS OF THE DIRECTORS

As of the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group referred to in Rule 13.68 of the Hong Kong Listing Rules (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. INTERESTS OF THE DIRECTORS

- (a) The Directors are not aware that any Director or his respective associates had, as at the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under the Hong Kong Listing Rules.
- (b) No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.
- (c) Since 31 December 2017, being the date of the latest published audited consolidated accounts of the Company, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion and advice contained in this circular:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporation finance) regulated activity under the SFO
<ul style="list-style-type: none">(i) Gram Capital did not have any shareholding, directly or indirectly, in the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group as at the Latest Practicable Date;(ii) Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter/report and reference to its name in the form and context in which they are included; and(iii) Gram Capital did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company or any members of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2017, the date to which the latest published audited consolidated accounts of the Company were made up.	

8. GENERAL

- (a) The registered office of the Company is situated at No. 2266 Chaoyang Road South, Baoding, Hebei Province.
- (b) The Company's share registrar is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) As at the Latest Practicable Date, Mr. Wei Jian Jun is a director of Innovation Great Wall and Great Wall Holdings; Ms. Yang Zhi Juan is a director of Innovation Great Wall and general manager of Management Centre of Collective Assets of Nandayuan Town. Save as the aforesaid, there is no Director or proposed Director is a director or employee of the substantial Shareholders of the Company as at the Latest Practicable Date.
- (d) Mr. Xu Hui is the Company Secretary of the Company, and Mr. Xu Hui is a member of the Hong Kong Institute of Chartered Secretaries.
- (e) In the event of any inconsistencies, the English text of this circular will prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours within 14 days (other than public holidays in Hong Kong) at the offices of Herbert Smith Freehills at 23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong from the date of this circular.

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Board to the Shareholders, the text of which is set out in the section headed "Letter from the Board" of this circular;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (d) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Gram Capital" of this circular;
- (e) the written consent from Gram Capital referred to in the paragraph headed "Qualification and Consent of Expert" in this Appendix;

- (f) the Framework Agreement;
- (g) the 2018 Interim Report, the 2017 Annual Report and the 2016 Annual Report of the Company; and
- (h) this circular.