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GEELY

吉利汽車控股有限公司

GEELY AUTOMOBILE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 175)

CONNECTED TRANSACTIONS IN RELATION TO THE DISPOSAL OF SUBSIDIARIES

Financial Adviser to Geely Automobile Holdings Limited



THE DISPOSALS

The Board announces that on 8 July 2020 (after trading hours), the following agreements have been entered into between members of the Group and the Parent Companies.

(A) The Chengdu Automobile Disposal Agreement

The Company entered into the Chengdu Automobile Disposal Agreement with Geely Holding to dispose the Group's 100% interests in Chengdu Automobile, pursuant to which (i) Zhejiang Jirun conditionally agreed to sell 90% of the registered capital of Chengdu Automobile; (ii) Shanghai Maple conditionally agreed to sell 10% of the registered capital of Chengdu Automobile; and (iii) Geely Holding conditionally agreed to acquire the entire registered capital of Chengdu Automobile through Chengbao International and Geely Automobile with each holding 50% of the registered capital of Chengdu Automobile for a net cash consideration of approximately RMB76.3 million.

(B) The Ningbo Beilun Disposal Agreement

Zhejiang Jirun entered into the Ningbo Beilun Disposal Agreement with Geely Automobile, pursuant to which (i) Zhejiang Jirun conditionally agreed to sell 100% of the registered capital of Ningbo Beilun; and (ii) Geely Automobile conditionally agreed to acquire the entire registered capital of Ningbo Beilun for a cash consideration of approximately RMB729.4 million.

(C) The Ningbo Jining Disposal Agreement

Zhejiang Jirun entered into the Ningbo Jining Disposal Agreement with Zhejiang Jichuang, pursuant to which (i) Zhejiang Jirun conditionally agreed to sell 100% of the registered capital of Ningbo Jining; and (ii) Zhejiang Jichuang conditionally agreed to acquire the entire registered capital of Ningbo Jining for a cash consideration of approximately RMB30.5 million.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, each of Chengbao International, Geely Automobile and Zhejiang Jichuang is wholly owned by Geely Holding. Geely Holding is ultimately wholly owned by Mr. Li and his associates. As such, each of Geely Holding, Chengbao International, Geely Automobile and Zhejiang Jichuang is an associate of Mr. Li and a connected person of the Company. Accordingly, the Disposals constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Disposals, on an aggregate basis, exceeds 0.1% but is below 5%, the Disposals are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, each an executive Director, are considered to be interested in the Disposals by virtue of their interests and/or directorship in Geely Holding. As a result, each of Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui has abstained from voting on the Board resolutions for approving the Disposals.

Completion of the transactions contemplated under the Disposal Agreements is subject to the satisfaction of the conditions precedent under the Disposal Agreements and therefore, may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE DISPOSALS

The Board announces that on 8 July 2020 (after trading hours), the Disposal Agreements have been entered into between members of the Group and the Parent Companies. The principal terms of each of the Disposal Agreements are set out below:

(1) The Chengdu Automobile Disposal Agreement

Date

8 July 2020 (after trading hours)

Parties

Vendor: The Company (The interests in Chengdu Automobile are held through Zhejiang Jirun and Shanghai Maple)

Purchaser: Geely Holding (The interests in Chengdu Automobile are acquired through Chengbao International and Geely Automobile)

Zhejiang Jirun and Shanghai Maple are principally engaged in the research, development, production, marketing and sale of automobiles, automobile parts and related automobile components in the PRC. Both Zhejiang Jirun and Shanghai Maple are indirect 99% owned subsidiaries of the Company. The remaining 1% interest in Zhejiang Jirun and Shanghai Maple are both indirectly held by Mr. Li's interested entities as at the date of this announcement.

Geely Holding is principally engaged in the sales of automobiles and related parts and components wholesale and retail businesses.

Chengbao International and Geely Automobile are investment arms of the Geely Holding Group and are wholly owned by Geely Holding as at the date of this announcement. As such, Chengbao International and Geely Automobile are connected persons of the Company for the purpose of the Listing Rules by virtue of the fact that Chengbao International and Geely Automobile are beneficially wholly-owned by Mr. Li and his associates.

Subject matter

Pursuant to the Chengdu Automobile Disposal Agreement, (i) Zhejiang Jirun conditionally agreed to sell 90% of the registered capital of Chengdu Automobile; (ii) Shanghai Maple conditionally agreed to sell 10% of the registered capital of Chengdu Automobile; and (iii) Geely Holding conditionally agreed to acquire the entire registered capital of Chengdu Automobile through Chengbao International and Geely Automobile with each holding 50% of

the registered capital of Chengdu Automobile. Details of Chengdu Automobile are set out in the sub-section headed “INFORMATION ON THE DISPOSAL COMPANIES – Chengdu Automobile”.

Upon completion of the Chengdu Automobile Disposal, the Group will cease to have any interest in Chengdu Automobile, and the financial statements of Chengdu Automobile will cease to be consolidated with the financial statements of the Group.

Consideration

The net consideration for the Chengdu Automobile Disposal is approximately RMB76.3 million, which will be payable in cash within three months from the completion date of the Chengdu Automobile Disposal.

The consideration for the Chengdu Automobile Disposal was determined after arm’s length negotiations between the Company and Geely Holding based on the market value of the net assets of Chengdu Automobile which amounts to approximately RMB133.0 million. The consideration of approximately RMB56.7 million to be paid by the Group for the grant of right to continue to use the manufacturing facilities of Chengdu Automobile upon completion of the Chengdu Automobile Disposal will partially offset the consideration for the Chengdu Automobile Disposal, which results in a net consideration of approximately RMB76.3 million to be received by the Group.

The market value of the net assets of Chengdu Automobile of approximately RMB133.0 million consists of (i) the carrying value of the net assets of Chengdu Automobile prepared under HKFRS as at 31 May 2020 of approximately RMB87.2 million; (ii) the valuation premium of the Chengdu Automobile Properties of approximately RMB47.6 million, being the difference between the market value of Chengdu Automobile Properties of RMB363.0 million as stated in the Valuation Report based on comparison approach and the carrying value of the Chengdu Automobile Properties of approximately RMB315.4 million as at 31 May 2020; and (iii) the net valuation impairment of machinery and equipment held by Chengdu Automobile of approximately RMB1.8 million.

Following completion of the Chengdu Automobile Disposal, Chengdu Geely will be granted the right to continue to use the manufacturing facilities of Chengdu Automobile for a fixed term of 13 months at a consideration of approximately RMB56.7 million which will partially offset the consideration of the Chengdu Automobile Disposal. Chengdu Geely will take up the manufacturing activities of the Automobile Models by 31 July 2021 as part of the restructuring process of the Group. The consideration for the grant of right to use the manufacturing facilities of Chengdu Automobile was determined with reference to the estimated depreciation cost to be incurred for the relevant manufacturing facilities during the lease term.

Although Chengdu Automobile recorded profits after taxation of approximately RMB266.6 million and RMB87.8 million for the year ended 31 December 2019 and for the five months ended 31 May 2020, respectively, the historical profits of Chengdu Automobile have not been taken into consideration for determining the consideration of the Chengdu Automobile Disposal. Rather, the consideration for the Chengdu Automobile Disposal was determined after arm's length negotiations between the Company and Geely Holding with reference to the aforementioned market value of the net assets of Chengdu Automobile for the following reasons: (i) Chengdu Automobile has ceased its manufacturing activities upon completion of disposal of its Proprietary Technologies and inventories used for the manufacturing of the Automobile Models to Chengdu Geely on 1 May 2020; (ii) Chengdu Automobile has not generated any revenue for the one month ended 31 May 2020; (iii) as at the date of this announcement, the assets of Chengdu Automobile mainly comprise land and properties, machinery and equipment and trade receivables which are considered to be non-income generating assets; and (iv) the disposal of Chengdu Automobile is essentially a disposal of non-income generating assets and liabilities of Chengdu Automobile, which mainly comprise land and properties, machinery and equipment and trade receivables as well as trade payables.

For more details of the transfer of the Proprietary Technologies and inventories from Chengdu Automobile to Chengdu Geely, please refer to the sub-section headed "REASONS FOR AND BENEFITS OF THE DISPOSALS – (1) Chengdu Automobile Disposal Agreement" in this announcement.

Chengdu Automobile Shareholder's Loan

As at 31 May 2020, the Group has advanced approximately RMB730 million to Chengdu Automobile under the Chengdu Automobile Shareholder's Loan. The Company expects that the outstanding amount of the Chengdu Automobile Shareholder's Loan will not be higher than RMB800 million from 31 May 2020 to the completion date of the Chengdu Automobile Disposal. Pursuant to the Chengdu Automobile Disposal Agreement, the outstanding Chengdu Automobile Shareholder's Loan will be repaid by the Geely Holding Group to the Group on or before completion of the Chengdu Automobile Disposal.

Conditions precedent

Completion of the Chengdu Automobile Disposal will be subject to and conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) Geely Holding being satisfied with the results of its due diligence review on Chengdu Automobile, including, without limitation, the possession by Chengdu Automobile of all approvals, consents and permits, and completion of all filings necessary for Chengdu Automobile to conduct its business operations;

- (ii) the Company having made the announcement and obtained the Independent Shareholders' approval (if applicable) for the Chengdu Automobile Disposal Agreement and the transaction contemplated thereunder in accordance with the Listing Rules;
- (iii) the obtaining of all approvals, consents, filings and/or waivers from the relevant government authorities or third parties required for the Chengdu Automobile Disposal, including, without limitation, the obtaining of the new business license of Chengdu Automobile and that Chengbao International and Geely Automobile are shown as the sole shareholders of Chengdu Automobile on the SAIC's website;
- (iv) the representations and warranties made by the Company in the Chengdu Automobile Disposal Agreement remaining true and accurate in all material respects and not misleading in any respect, and the Company having performed fully its obligations under the Chengdu Automobile Disposal Agreement on or before completion of the Chengdu Automobile Disposal; and
- (v) (a) there being no material adverse change in the existence, business and financial positions of Chengdu Automobile; and (b) no statute, regulation, proceeding or order pertaining to Chengdu Automobile having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the completion date of the Chengdu Automobile Disposal that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Chengdu Automobile Disposal Agreement.

In the event that the conditions set out above are not fulfilled or waived (conditions (ii) and (iii) above are not capable of being waived) within 60 calendar days from the date of the Chengdu Automobile Disposal Agreement (or such other later date as the parties may agree in writing), any party to the Chengdu Automobile Disposal Agreement will have the right to terminate the Chengdu Automobile Disposal Agreement by prior written notice to the other party. If the condition (iii) above cannot be fulfilled, Geely Holding will acquire the entire registered capital of Chengdu Automobile through another entity or other entities controlled by Geely Holding in order to meet such requirement. In the event of such termination, no party to the Chengdu Automobile Disposal Agreement may raise any claim against the other party or demand the other party to undertake any liability. All rights, obligations and liabilities under the Chengdu Automobile Disposal Agreement will become null and void upon such termination and the Chengdu Automobile Disposal Agreement will cease to be of any further effect, save with respect to any antecedent breaches.

Completion of the Chengdu Automobile Disposal

Completion of the Chengdu Automobile Disposal will take place on the second Business Day after all the conditions precedent to the Chengdu Automobile Disposal Agreement have been fulfilled or waived (as the case may be) or such other later date as the parties may agree in writing.

The Directors are of the view that, although the Chengdu Automobile Disposal Agreement is not entered into in the ordinary and usual course of business of the Group, the Chengdu Automobile Disposal Agreement is on normal commercial terms and the terms of the Chengdu Automobile Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) The Ningbo Beilun Disposal Agreement

Date

8 July 2020 (after trading hours)

Parties

Vendor: Zhejiang Jirun

Purchaser: Geely Automobile

Zhejiang Jirun is principally engaged in the research, development, production, marketing and sale of automobiles, automobile parts and related automobile components in the PRC, and is an indirect 99% owned subsidiary of the Company. The remaining 1% interest in Zhejiang Jirun is indirectly held by Mr. Li's interested entities as at the date of this announcement.

Geely Automobile is an investment arm of the Geely Holding Group and is wholly owned by Geely Holding as at the date of this announcement. As such, Geely Automobile is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Geely Automobile is beneficially wholly-owned by Mr. Li and his associates.

Subject matter

Pursuant to the Ningbo Beilun Disposal Agreement, (i) Zhejiang Jirun conditionally agreed to sell 100% of the registered capital of Ningbo Beilun; and (ii) Geely Automobile conditionally agreed to acquire the entire registered capital of Ningbo Beilun. Details of Ningbo Beilun are set out in the sub-section headed "INFORMATION ON THE DISPOSAL COMPANIES – Ningbo Beilun".

Upon completion of the Ningbo Beilun Disposal, the Group will cease to have any interest in Ningbo Beilun, and the financial statements of the Ningbo Beilun will cease to be consolidated with the financial statements of the Group.

Consideration

The consideration for the Ningbo Beilun Disposal is approximately RMB729.4 million, which will be payable in cash within three months from the completion date of the Ningbo Beilun Disposal.

The consideration for the Ningbo Beilun Disposal was determined after arm's length negotiations between Zhejiang Jirun and Geely Automobile with reference to the market value of the net assets of the Ningbo Beilun. The market value of the Ningbo Beilun consists of (i) the carrying value of the net assets of Ningbo Beilun prepared under HKFRS as at 31 May 2020 of approximately RMB718.3 million; (ii) the capital injection of RMB10 million completed by Zhejiang Jirun on 12 June 2020 which further increased the net assets of Ningbo Beilun subsequent to 31 May 2020; and (iii) the valuation premium of the Ningbo Beilun Properties of approximately RMB1.1 million, being the difference between the market value of Ningbo Beilun Properties of approximately RMB685.1 million as stated in the Valuation Report based on comparison approach and the carrying value of the Ningbo Beilun Properties of approximately RMB684.0 million as at 31 May 2020.

Conditions precedent

Completion of the Ningbo Beilun Disposal will be subject to and conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) Geely Automobile being satisfied with the results of its due diligence review on Ningbo Beilun, including, without limitation, the possession by Ningbo Beilun of all approvals, consents and permits, and completion of all filings necessary for Ningbo Beilun to conduct its business;
- (ii) the Company having made the announcement and obtained the Independent Shareholders' approval (if applicable) for the Ningbo Beilun Disposal Agreement and the transaction contemplated thereunder in accordance with the Listing Rules;
- (iii) the obtaining of all approvals, consents, filings and/or waivers from the relevant government authorities or third parties required for the Ningbo Beilun Disposal, without limitation, the obtaining of the new business license of Ningbo Beilun and that Geely Automobile is shown as the sole shareholder of Ningbo Beilun on the SAIC's website;
- (iv) the representations and warranties made by Zhejiang Jirun in the Ningbo Beilun Disposal Agreement remaining true and accurate in all material respects and not misleading in any respect, and Zhejiang Jirun having performed fully its obligations under the Ningbo Beilun Disposal Agreement on or before completion of the Ningbo Beilun Disposal; and

- (v) (a) there being no material adverse change in the existence, business and financial positions of Ningbo Beilun; and (b) no statute, regulation, proceeding or order pertaining to Ningbo Beilun having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the completion date of the Ningbo Beilun Disposal that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Ningbo Beilun Disposal Agreement.

In the event that the conditions set out above are not fulfilled or waived (conditions (ii) and (iii) above are not capable of being waived) within 60 calendar days from the date of the Ningbo Beilun Disposal Agreement (or such other later date as the parties may agree in writing), any party to the Ningbo Beilun Disposal Agreement will have the right to terminate the Ningbo Beilun Disposal Agreement by prior written notice to the other party. In the event of such termination, no party to the Ningbo Beilun Disposal Agreement may raise any claim against the other party or demand the other party to undertake any liability. All rights, obligations and liabilities under the Ningbo Beilun Disposal Agreement will become null and void upon such termination and the Ningbo Beilun Disposal Agreement will cease to be of any further effect, save with respect to any antecedent breaches.

Completion of the Ningbo Beilun Disposal

Completion of the Ningbo Beilun Disposal will take place on the second Business Day after all the conditions precedent to the Ningbo Beilun Disposal Agreement have been fulfilled or waived (as the case may be) or such other later date as the parties may agree in writing.

The Directors are of the view that, although the Ningbo Beilun Disposal Agreement is not entered into in the ordinary and usual course of business of the Group, the Ningbo Beilun Disposal Agreement is on normal commercial terms and the terms of the Ningbo Beilun Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(3) The Ningbo Jining Disposal Agreement

Date

8 July 2020 (after trading hours)

Parties

Vendor: Zhejiang Jirun

Purchaser: Zhejiang Jichuang

Zhejiang Jirun is principally engaged in the research, development, production, marketing and sale of automobiles, automobile parts and related automobile components in the PRC, and is an indirect 99% owned subsidiary of the Company. The remaining 1% interest in Zhejiang Jirun is indirectly held by Mr. Li's interested entities as at the date of this announcement.

Zhejiang Jichuang is an investment arm of the Geely Holding Group and is wholly owned by Geely Holding as at the date of this announcement. As such, Zhejiang Jichuang is a connected person of the Company for the purpose of the Listing Rules by virtue of the fact that Zhejiang Jichuang is beneficially wholly-owned by Mr. Li and his associates.

Subject matter

Pursuant to the Ningbo Jining Disposal Agreement, (i) Zhejiang Jirun conditionally agreed to sell 100% of the registered capital of Ningbo Jining; and (ii) Zhejiang Jichuang conditionally agreed to acquire the entire registered capital of Ningbo Jining. Details of Ningbo Jining are set out in the sub-section headed "INFORMATION ON THE DISPOSAL COMPANIES – Ningbo Jining".

Upon completion of the Ningbo Jining Disposal, the Group will cease to have any interest in Ningbo Jining, and the financial statements of Ningbo Jining will cease to be consolidated with the financial statements of the Group.

Consideration

The consideration for the Ningbo Jining Disposal is approximately RMB30.5 million, which will be payable in cash within three months from the completion date of the Ningbo Jining Disposal.

The consideration for the Ningbo Jining Disposal was determined after arm's length negotiations between Zhejiang Jirun and Zhejiang Jichuang with reference to the market value of the net assets of the Ningbo Jining. The market value of Ningbo Jining consists of (i) the carrying value of the net assets of Ningbo Jining prepared under HKFRS as at 31 May 2020 of approximately RMB23.2 million; (ii) the valuation premium of the Ningbo Jining Properties of approximately RMB7.9 million, being the difference between the market value of Ningbo Jining Properties of approximately RMB134.4 million as stated in the Valuation Report based on comparison approach and the carrying value of the Ningbo Jining Properties of approximately RMB126.5 million as at 31 May 2020; and (iii) the net valuation impairment of machinery and equipment held by Ningbo Jining of approximately RMB0.6 million.

Although Ningbo Jining recorded a profit after taxation of approximately RMB47.0 million for the year ended 31 December 2019, the historical profit of Ningbo Jining has not been taken into consideration for determining the consideration of the Ningbo Jining Disposal. Rather, the consideration for the Ningbo Jining Disposal was determined after arm's length negotiations between Zhejiang Jirun and Zhejiang Jichuang with reference to the market value of the net assets of Ningbo Jining for the following reasons: (i) Ningbo Jining recorded a profit after taxation of approximately RMB47.0 million for the year ended 31 December 2019 mainly as a result of a one-time subsidy of RMB60 million received from the local government for the establishment of production facilities. Excluding such one-time government subsidy, Ningbo Jining would have recorded an operating profit of approximately RMB0.4 million before taxation; (ii) Ningbo Jining recorded a loss after taxation of approximately RMB1.8 million for the five months ended 31 May 2020; and (iii) the assets of Ningbo Jining mainly consist of property, plant and equipment as at the date of this announcement.

Ningbo Jining Shareholder's Loan

As at 31 May 2020, the Group has advanced approximately RMB150 million to Ningbo Jining under the Ningbo Jining Shareholder's Loan. The Company expects that the outstanding amount of the Ningbo Jining Shareholder's Loan will not be higher than RMB150 million from 31 May 2020 to the completion date of the Ningbo Jining Disposal. Pursuant to the Ningbo Jining Disposal Agreement, the outstanding Ningbo Jining Shareholder's Loan will be repaid by the Geely Holding Group to the Group on or before completion of the Ningbo Jining Disposal.

Conditions precedent

Completion of the Ningbo Jining Disposal will be subject to and conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) Zhejiang Jichuang being satisfied with the results of its due diligence review on Ningbo Jining, including, without limitation, the possession by Ningbo Jining of all approvals, consents and permits, and completion of all filings necessary for Ningbo Jining to conduct its business;
- (ii) the Company having made the announcement and obtained the Independent Shareholders' approval (if applicable) for the Ningbo Jining Disposal Agreement and the transaction contemplated thereunder in accordance with the Listing Rules;
- (iii) the obtaining of all approvals, consents, filings and/or waivers from the relevant government authorities or third parties required for the Ningbo Jining Disposal, including, without limitation, the obtaining of the new business license of Ningbo Jining and that Zhejiang Jichuang is shown as the sole shareholder of Ningbo Jining on the SAIC's website;

- (iv) the representations and warranties made by Zhejiang Jirun in the Ningbo Jining Disposal Agreement remaining true and accurate in all material respects and not misleading in any respect, and Zhejiang Jirun having performed fully its obligations under the Ningbo Jining Disposal Agreement on or before completion of the Ningbo Jining Disposal; and
- (v) (a) there being no material adverse change in the existence, business and financial positions of Ningbo Jining; and (b) no statute, regulation, proceeding or order pertaining to Ningbo Jining having been promulgated, put into effect, commenced, granted or issued that is subsisting or pending as at the completion date of the Ningbo Jining Disposal that would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Ningbo Jining Disposal Agreement.

In the event that the conditions set out above are not fulfilled or waived (conditions (ii) and (iii) above are not capable of being waived) within 60 calendar days from the date of the Ningbo Jining Disposal Agreement (or such other later date as the parties may agree in writing), any party to the Ningbo Jining Disposal Agreement will have the right to terminate the Ningbo Jining Disposal Agreement by prior written notice to the other party. In the event of such termination, no party to the Ningbo Jining Disposal Agreement may raise any claim against the other party or demand the other party to undertake any liability. All rights, obligations and liabilities under the Ningbo Jining Disposal Agreement will become null and void upon such termination and the Ningbo Jining Disposal Agreement will cease to be of any further effect, save with respect to any antecedent breaches.

Completion of the Ningbo Jining Disposal

Completion of the Ningbo Jining Disposal will take place on the second Business Day after all the conditions precedent to the Ningbo Jining Disposal Agreement have been fulfilled or waived (as the case may be) or such other later date as the parties may agree in writing.

The Directors are of the view that, although the Ningbo Jining Disposal Agreement is not entered into in the ordinary and usual course of business of the Group, the Ningbo Jining Disposal Agreement is on normal commercial terms and the terms of the Ningbo Jining Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSALS

(1) The Chengdu Automobile Disposal

Set out below is the key financial information of Chengdu Automobile based on its audited financial statements for the two years ended 31 December 2019 prepared under HKFRS and its unaudited financial information for the five months ended 31 May 2020:

| | For the year ended 31 December 2018 | For the year ended 31 December 2019 | For the five months ended 31 May 2020 |
|------------------------|--|--|--|
| | <i>RMB'000</i> (Audited) | <i>RMB'000</i> (Audited) | <i>RMB'000</i> (Unaudited) |
| Revenue | 7,521,052 | 6,288,712 | 1,882,583 |
| Profit before taxation | 1,108,115 | 296,736 | 106,992 |
| Profit after taxation | 942,688 | 266,619 | 87,847 |
| | As at 31 December 2018 | As at 31 December 2019 | As at 31 May 2020 |
| | <i>RMB'000</i> (Audited) | <i>RMB'000</i> (Audited) | <i>RMB'000</i> (Unaudited) |
| Net assets value | 1,017,760 | 334,839 | 87,223 |

For illustration purpose, assuming completion of the Chengdu Automobile Disposal had taken place on 31 May 2020, the Group would have recorded a gain on disposal of approximately RMB45.8 million as a result of the Chengdu Automobile Disposal, which is calculated by the market value of the net assets of Chengdu Automobile subtracting the unaudited net assets value of Chengdu Automobile as at 31 May 2020.

The consideration of approximately RMB56.7 million to be paid by the Group for the grant of right to continue to use the manufacturing facilities of Chengdu Automobile will be recorded as right-of-use assets in property, plant and equipment upon completion of the Chengdu Automobile Disposal. Such right-of-use assets will be fully depreciated on a straight-line basis over the lease term from the completion date of the Chengdu Automobile Disposal.

The net assets value of Chengdu Automobile decreased from approximately RMB334.8 million as of 31 December 2019 to approximately RMB87.2 million as of 31 May 2020 due to the disposal of the Proprietary Technologies and inventories used for the manufacture of Automobile Models to Chengdu Geely on 1 May 2020. As at the date of this announcement, all manufacturing activities previously conducted by Chengdu Automobile has been taken up by Chengdu Geely and Chengdu Automobile has ceased its manufacturing activities since 1 May 2020. As at the date of this announcement, the assets of Chengdu Automobile mainly comprise land and properties, machinery and equipment and trade receivables which are considered to be non-income generating assets.

For the one month ended 31 May 2020, Chengdu Automobile has not generated any revenue and recorded loss after taxation of approximately RMB0.5 million since Chengdu Automobile has ceased its manufacturing activities since 1 May 2020.

(2) The Ningbo Beilun Disposal

Ningbo Beilun is a limited liability company incorporated in the PRC on 13 May 2020. Set out below is the key financial information of Ningbo Beilun based on the unaudited financial information for the period from the date of its incorporation to 31 May 2020:

| | From 13 May 2020 to 31 May 2020 |
|----------------------|--|
| | <i>RMB'000</i> (Unaudited) |
| Revenue | – |
| Loss before taxation | 1,063 |
| Loss after taxation | 1,063 |
| | As at 31 May 2020 |
| | <i>RMB'000</i> (Unaudited) |
| Net assets value | 718,323 |

For illustration purpose, assuming completion of the Ningbo Beilun Disposal had taken place right after completion of further capital injection of RMB10 million by Zhejiang Jirun to Ningbo Beilun on 12 June 2020, the Group would have recorded a gain on disposal of approximately RMB1.1 million as a result of the Ningbo Beilun Disposal, which is calculated by the Ningbo Beilun Consideration subtracting (i) the unaudited net assets value of Ningbo Beilun as at 31 May 2020; and (ii) the capital injection of RMB10 million subsequently made by Zhejiang Jirun to Ningbo Beilun and completed on 12 June 2020.

(3) The Ningbo Jining Disposal

Set out below is the key financial information of Ningbo Jining based on its audited financial statements for the two years ended 31 December 2019 prepared under HKFRS and the unaudited financial information for the five months ended 31 May 2020:

| | For the year ended 31 December 2018 <i>RMB'000</i> (Audited) | For the year ended 31 December 2019 <i>RMB'000</i> (Audited) | For the five months ended 31 May 2020 <i>RMB'000</i> (Unaudited) |
|-------------------------------|---|---|---|
| Revenue | – | 148,528 | 75,634 |
| Profit/(Loss) before taxation | (3,003) | 60,367 | (1,471) |
| Profit/(Loss) after taxation | (3,322) | 47,032 | (1,834) |
| | As at 31 December 2018 <i>RMB'000</i> (Audited) | As at 31 December 2019 <i>RMB'000</i> (Audited) | As at 31 May 2020 <i>RMB'000</i> (Unaudited) |
| Net assets value | 16,724 | 63,756 | 23,199 |

For illustration purpose, assuming completion of the Ningbo Jining Disposal had taken place on 31 May 2020, the Group would have recorded a gain on disposal of approximately RMB7.3 million as a result of the Ningbo Jining Disposal, which is calculated by the Ningbo Jining Consideration subtracting the unaudited net assets value of Ningbo Jining as at 31 May 2020.

INFORMATION ON THE DISPOSAL COMPANIES

Chengdu Automobile

Chengdu Automobile is a limited liability company incorporated in the PRC in October 2007. Chengdu Automobile is principally engaged in the manufacture and sale of automobile vehicles and automobile components in the PRC.

Information of the Chengdu Automobile Properties

The Chengdu Automobile Properties are located in Chengdu Economic and Technological Development Zone, Sichuan Province, the PRC. According to the Valuation Report, as at 31 May 2020, the Chengdu Automobile Properties comprised:

- (i) two parcels of land with a total site area of approximately 468,113 sq.m.; and
- (ii) 28 buildings with a total gross floor area of approximately 199,874 sq.m. with various ancillary structures.

Ningbo Beilun

Ningbo Beilun is a limited liability company incorporated in the PRC in May 2020. Ningbo Beilun is principally engaged in the manufacture and sale of automobile vehicles and automobile engines in the PRC. As at the date of this announcement, Ningbo Beilun has not commenced its business.

Information of the Ningbo Beilun Properties

The Ningbo Beilun Properties are located in Beilun District, Ningbo City, Zhejiang Province, the PRC. According to the Valuation Report, as at 31 May 2020, the Ningbo Beilun Properties comprised:

- (i) three parcels of land with a total site area of approximately 448,008 sq.m.; and
- (ii) 38 buildings with a total gross floor area of approximately 282,334 sq.m. with various ancillary structures.

Ningbo Jining

Ningbo Jining is a limited liability company incorporated in the PRC in July 2017. Ningbo Jining is principally engaged in the manufacture and sale of automobile parts and components in the PRC.

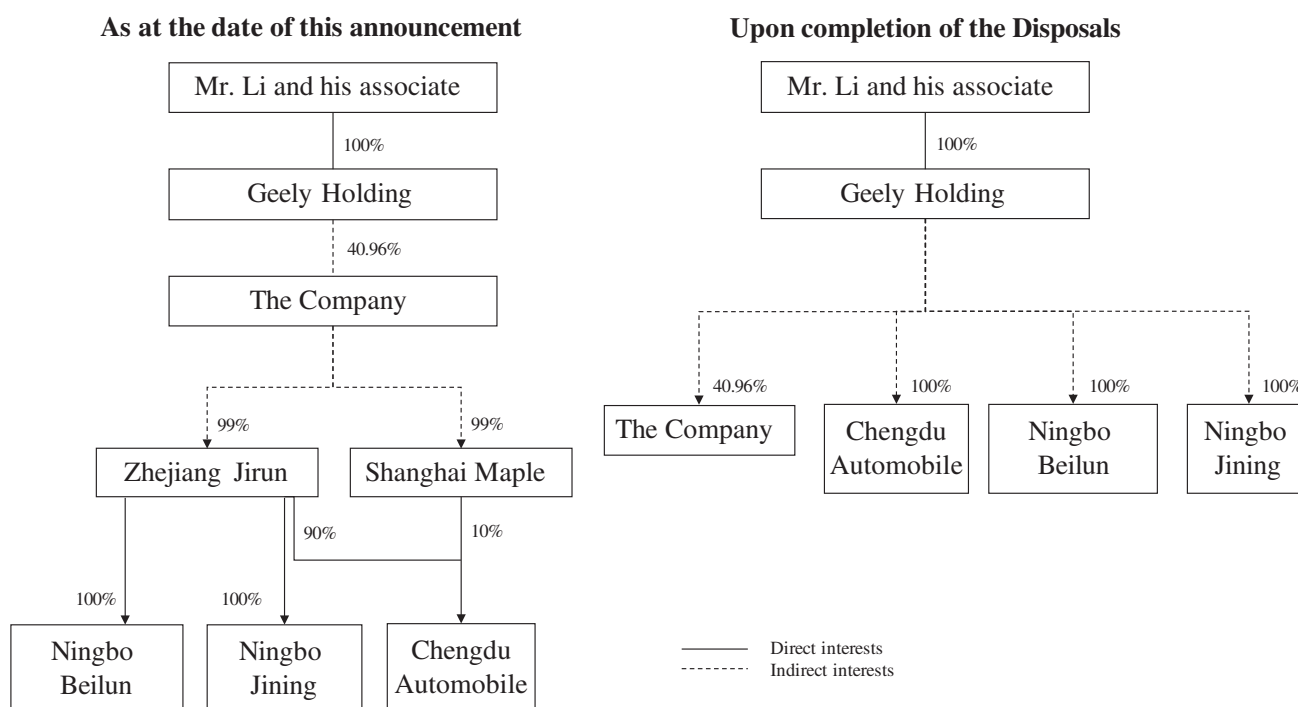
Information of the Ningbo Jining Properties

The Ningbo Jining Properties are located in Binhai New District of Southern Ningbo, Ninghai County, Ningbo City, Zhejiang Province, the PRC. According to the Valuation Report, as at 31 May 2020, the Ningbo Jining Properties comprised:

- (i) a parcel of land with a total site area of approximately 66,699 sq.m.; and
- (ii) 4 buildings with a total gross floor area of approximately 37,414 sq.m. with various ancillary structures.

Shareholding structures of the Disposal Companies

The following diagrams set out the shareholding structures of the Disposal Companies before and upon the completion of the Disposals:



REASONS FOR AND BENEFITS OF THE DISPOSALS

(1) Chengdu Automobile Disposal Agreement

Chengdu Automobile mainly manufactured the Automobile Models which have been facing a downward market demand since 2019. The production utilisation rate of the manufacturing facilities of Chengdu Automobile was dropped to 71% in 2019 when compared with 94% and 98% in 2018 and 2017, respectively. The production utilisation rate is expected to drop further in 2020 due to the economic uncertainties which affect the demand of the Automobile Models in the PRC.

As part of the reorganisation exercise of the Group, Chengdu Automobile has completed the disposal of its Proprietary Technologies and inventories to Chengdu Geely on 1 May 2020. Chengdu Automobile has ceased its manufacturing activities since 1 May 2020 and all manufacturing activities previously performed by Chengdu Automobile has been taken up by Chengdu Geely as at the date of this announcement. The assets of Chengdu Automobile mainly include land and properties, machinery and equipment and trade receivables as at the date of this announcement.

In addition, the manufacturing facilities of Chengdu Automobile are not up to the standard required for the manufacture of the new automobile models of the Group, and the Group would have to incur enormous cost to retool the manufacturing facilities to meet such requirement. Given the decreasing production utilisation rate and the enormous cost required for retooling the manufacturing facilities, the Directors are of the view that it will be more effective and economically beneficial for the Group to dispose of Chengdu Automobile and its manufacturing facilities, as it will bring in proceeds for the Group's working capital.

(2) Ningbo Beilun Disposal Agreement

Ningbo Beilun was established in May 2020 with the manufacturing facilities of Zhejiang Jirun being contributed as capital as part of the reorganization exercise of the Group. The aforesaid manufacturing facilities has ceased production since March 2020 and it will incur enormous costs to retool the manufacturing facilities for the production of other new automobile models of the Group. Since Zhejiang Jirun, as a key operating subsidiary, has investments in several other subsidiaries which are engaged in the manufacture and sale of automobile vehicles under "Geely" brand, Ningbo Beilun was established solely for the purpose of holding the idle manufacturing facilities of Zhejiang Jirun to be disposed. The Directors are of the view that disposing the Ningbo Beilun together with the idle manufacturing facilities will be more effective and economically beneficial to the Group as it will bring in proceeds for the Group's working capital.

(3) Ningbo Jining Disposal Agreement

The Ningbo Jining is principally engaged in the manufacture and sale of automobile parts and components in the PRC, which mainly include steel plates used for the assembly of the Geely and LYNK & CO automobile models. The other parts and components used for the assembly of the Geely and LYNK & CO automobile models are supplied by the Geely Holding Group which enjoys economies of scale in mass production. The Ningbo Jining Disposal will allow the Group to centralize the manufacturing of automobile parts and components with the Geely Holding Group and benefit from cost efficiencies of sharing the resources.

The Directors consider that, although the Disposal Agreements and the transactions contemplated thereunder are not entered into in the ordinary and usual course of business of the Group, the Disposal Agreements were entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, each of Chengbao International, Geely Automobile and Zhejiang Jichuang is wholly owned by Geely Holding. Geely Holding is ultimately wholly owned by Mr. Li and his associates. As such, each of Geely Holding, Chengbao International, Geely Automobile and Zhejiang Jichuang is an associate of Mr. Li and a connected person of the Company. Accordingly, the Disposals constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Disposals, on an aggregate basis, exceeds 0.1% but is below 5%, the Disposals are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, each an executive Director, are considered to be interested in the Disposals by virtue of their interests and/or directorship in Geely Holding. As a result, each of Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui has abstained from voting on the Board resolutions for approving the Disposals.

Completion of the transactions contemplated under the Disposal Agreements is subject to the satisfaction of the conditions precedent under the Disposal Agreements and therefore, may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context otherwise requires, the following terms used in this announcement shall have the meanings set out below: –

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| “associate(s)” | has the meaning ascribed to it in the Listing Rules |
| “Automobile Models” | collectively, the Vision X6 model and the Emgrand EV450 model manufactured by Chengdu Automobile |
| “Board” | the board of Directors |
| “Business Day” | a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC |
| “Chengbao International” | 城堡汽車國際有限公司 (Chengbao Automobile International Company Ltd.), a limited liability company incorporated in Hong Kong and is wholly owned by Geely Holding |

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| “Chengdu Automobile” | 成都高原汽車工業有限公司 (Chengdu Gaoyuan Automobile Industries Company Ltd.), a limited liability company incorporated in the PRC and is owned as to 90% by Zhejiang Jirun and as to 10% by Shanghai Maple as at the date of this announcement |
| “Chengdu Automobile Disposal” | the disposal of the entire registered capital of Chengdu Automobile by the Group via Zhejiang Jirun and Shanghai Maple pursuant to the Chengdu Automobile Disposal Agreement |
| “Chengdu Automobile Disposal Agreement” | the conditional sale and purchase agreement dated 8 July 2020 entered into between the Company and Geely Holding in relation to the Chengdu Automobile Disposal |
| “Chengdu Automobile Properties” | an industrial complex located in the Chengdu Economic and Technological Development Zone, Sichuan Province, the PRC |
| “Chengdu Automobile Shareholder’s Loan” | an interest-free and unsecured loan advanced by the Group to Chengdu Automobile |
| “Chengdu Geely” | 成都吉利汽車製造有限公司 (Chengdu Geely Automobile Manufacturing Co. Ltd.), a limited liability company incorporated in the PRC and is wholly owned by Zhejiang Jirun as at the date of this announcement |
| “Company” | Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 175) |
| “connected person” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Disposals” | collectively, the Chengdu Automobile Disposal, the Ningbo Beilun Disposal and the Ningbo Jining Disposal |
| “Disposal Agreements” | collectively, the Chengdu Automobile Disposal Agreement, the Ningbo Beilun Disposal Agreement and the Ningbo Jining Disposal Agreement |
| “Disposal Companies” | collectively, Chengdu Automobile, Ningbo Beilun and Ningbo Jining |

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| “Geely Holding” | 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a private limited liability company incorporated in the PRC, and is ultimately wholly owned by Mr. Li and his associate |
| “Geely Holding Group” | Geely Holding and its subsidiaries |
| “Geely Automobile” | 吉利汽車集團有限公司 (Geely Automobile Group Company Limited*), a private limited liability company incorporated in the PRC, and is wholly owned by Geely Holding |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “HKFRS” | Hong Kong Financial Reporting Standards |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Shareholders” | Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and their respective associates |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Li” | Mr. Li Shu Fu, an executive Director and a substantial Shareholder together with his associates holding 41.20% interests in the total issued share capital of the Company as at the date of this announcement |
| “Ningbo Beilun” | 寧波北侖吉利汽車製造有限公司 (Ningbo Beilun Geely Automotive Manufacturing Co. Ltd.*), a limited liability company incorporated in the PRC and is a direct wholly-owned subsidiary of Zhejiang Jirun |
| “Ningbo Beilun Consideration” | RMB729.4 million, being the consideration payable by Geely Automobile to Zhejiang Jirun for the entire registered capital of Ningbo Beilun under the Ningbo Beilun Disposal Agreement |
| “Ningbo Beilun Disposal” | the disposal of the entire registered capital of Ningbo Beilun by Zhejiang Jirun pursuant to Ningbo Beilun Disposal Agreement |
| “Ningbo Beilun Disposal Agreement” | the conditional sale and purchase agreement dated 8 July 2020 entered into between Zhejiang Jirun and Geely Automobile in relation to the Ningbo Beilun Disposal |

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| “Ningbo Beilun Properties” | an industrial complex located in Beilun District, Ningbo City, Zhejiang Province, the PRC |
| “Ningbo Jining” | 寧波吉寧汽車零部件有限公司 (Ningbo Jining Automobile Components Co. Ltd.*), a limited liability company incorporated in the PRC and is a direct wholly-owned subsidiary of Zhejiang Jirun |
| “Ningbo Jining Consideration” | RMB30.5 million, being the consideration payable by Zhejiang Jichuang to Zhejiang Jirun for the entire registered capital of Ningbo Jining under the Ningbo Jining Disposal Agreement |
| “Ningbo Jining Disposal” | the disposal of the entire registered capital of Ningbo Jining by Zhejiang Jirun pursuant to Ningbo Jining Disposal Agreement |
| “Ningbo Jining Disposal Agreement” | the conditional sale and purchase agreement dated 8 July 2020 entered into between Zhejiang Jirun and Zhejiang Jichuang in relation to the Ningbo Jining Disposal |
| “Ningbo Jining Properties” | an industrial complex located in Binhai New District of Southern Ningbo, Ninghai County, Ningbo City, Zhejiang Province, the PRC |
| “Ningbo Jining Shareholder’s Loan” | an interest-free and unsecured loan advanced by the Group to Ningbo Jining |
| “Parent Companies” | Companies wholly-owned by Mr. Li and companies which are associates of Mr. Li as at the date of this announcement |
| “percentage ratio(s)” | has the meaning ascribed to it under Rule 14.07 of the Listing Rules |
| “PRC” or “China” | the People’s Republic of China, and for the purposes of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan |
| “Proprietary Technologies” | the technologies applied to the NL-4AB, NL-4DE, NL-4DB, NL-4JC and NL-4 vehicle models which were the key technologies used for the manufacture of Vision X6 model and Emgrand EV450 model |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SAIC” | State Administration for Industry and Commerce or its local bureaus |

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| “Shanghai Maple” | 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited*), a limited liability company established in the PRC and is an indirect 99% owned subsidiary of the Company |
| “Share(s)” | ordinary share(s) of HK\$0.02 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of the Share(s) |
| “sq.m.” | square meter(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Valuation Report” | the valuation report on the (i) Chengdu Automobile Properties and other fixed assets held by Chengdu Automobile; (ii) Ningbo Beilun Properties and other fixed assets held by Ningbo Beilun and (iii) Ningbo Jining Properties and other fixed assets held by Ningbo Jining prepared by an independent valuer |
| “Zhejiang Jirun” | 浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited*), a limited liability company established in the PRC and is an indirect 99% owned subsidiary of the Company |
| “Zhejiang Jichuang” | 浙江吉創汽車零部件有限公司 (Zhejiang Jichuang Automobile Parts Company Limited*), a limited liability company established in the PRC and is wholly owned by Geely Holding |
| “%” | per cent |

By order of the Board
Geely Automobile Holdings Limited
David C.Y. Cheung
Company Secretary

Hong Kong, 9 July 2020

As at the date of this announcement, the executive directors of the Company are Mr. Li Shu Fu (Chairman), Mr. Yang Jian (Vice Chairman), Mr. Li Dong Hui, Daniel (Vice Chairman), Mr. Gui Sheng Yue (Chief Executive Officer), Mr. An Cong Hui, Mr. Ang Siu Lun, Lawrence and Ms. Wei Mei, and the independent non-executive directors of the Company are Mr. Lee Cheuk Yin, Dannis, Mr. Yeung Sau Hung, Alex, Mr. An Qing Heng and Mr. Wang Yang.

* *For identification purposes only*