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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)

- (I) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS;
(II) EXEMPTED CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE R&D SERVICES AND
TECHNOLOGY LICENSING AGREEMENT;
AND
(III) EXEMPTED CONNECTED TRANSACTION IN RELATION
TO THE ASSETS ACQUISITION AGREEMENT**

Financial Adviser to Geely Automobile Holdings Limited



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



(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(A) Master CKDs and Automobile Components Sales Agreement

On 4 November 2020 (after trading hours), the Company and Geely Holding entered into the Master CKDs and Automobile Components Sales Agreement for a term of three years ending on 31 December 2023 under which it was conditionally agreed that the Group will sell CKDs and automobile components in relation to vehicle models including Proton-branded vehicles, Maple-Branded Vehicles, Farizon-branded vehicles etc. to the Geely Holding Group.

The proposed CKDs and Automobile Components Sales Annual Caps for the three years ending 31 December 2023 are approximately RMB5,945.6 million, RMB9,163.7 million and RMB12,027.1 million, respectively.

(B) Master CKDs and Automobile Components Purchase Agreement

On 4 November 2020 (after trading hours), the Company and Geely Holding entered into the Master CKDs and Automobile Components Purchase Agreement for a term of three years ending on 31 December 2023 under which it was conditionally agreed that the Group will purchase CKDs and automobile components under the Geely brand including Vision X6 vehicle model, etc. from the Geely Holding Group.

The proposed CKDs and Automobile Components Purchase Annual Caps for the three years ending 31 December 2023 are approximately RMB11,953.9 million, RMB26,346.8 million and RMB23,842.7 million, respectively.

(C) The New Powertrain Sales Agreement

Reference is made to the Company's announcement dated 7 November 2017 regarding the 2017 Powertrain Sales Agreement pursuant to which the Group agreed to sell vehicle engines, transmissions and related after-sales parts to the Geely Holding Group and the LYNK & CO Group until the end of 2020.

In light of the 2017 Powertrain Sales Agreement is due to expire soon, on 4 November 2020, the Company, Geely Holding and LYNK & CO entered into the New Powertrain Sales Agreement. Pursuant to the New Powertrain Sales Agreement, the Group conditionally agreed to sell vehicle engines, transmissions and related after-sales parts to the Geely Holding Group and the LYNK & CO Group for a term of three years commencing on 1 January 2021 and ending on 31 December 2023. The proposed annual caps under the New Powertrain Sales Agreement are approximately RMB9,047.3 million, RMB15,527.6 million and RMB18,232.5 million for the three years ending 31 December 2023, respectively.

(D) Automobile Financing Arrangements

To capture the growth of the auto finance industry, Genius AFC (i) proposed to continue the LYNK & CO Finance Cooperation Agreement with LYNK & CO Sales; (ii) entered into the Fengsheng Finance Cooperation Agreement with Fengsheng Sales; and (iii) entered into the Geely Holding Finance Cooperation Agreement with Geely Holding on 4 November 2020 respectively.

(i) *LYNK & CO Financing Arrangements – LYNK & CO Finance Cooperation Agreement*

Reference is made to the Company's announcement dated 3 November 2017 regarding the LYNK & CO Finance Cooperation Agreement pursuant to which Genius AFC agreed to provide vehicle financing services to the LYNK & CO Dealers and LYNK & CO Retail Customers until the end of 2020. The LYNK & CO Finance Cooperation Agreement has an initial term of three years and will then continue unless and until terminated by either party by giving at least 6 months prior written notice, subject to the approvals from the regulators of the Company and the Independent Shareholders.

Under the terms of the LYNK & CO Finance Cooperation Agreement, Genius AFC will enter into individual LYNK & CO Wholesale Facility Agreements with the LYNK & CO Dealers after the commencement of the LYNK & CO Wholesale Financing Business and will also enter into the LYNK & CO Retail Loan Cooperation Agreements with the LYNK & CO Dealers, pursuant to which such dealers shall recommend their retail customers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of LYNK & CO-branded vehicles. After the commencement of the LYNK & CO Retail Financing Business, Genius AFC will enter into individual LYNK & CO Retail Loan Agreements with the LYNK & CO Retail Customers.

The LYNK & CO Wholesale Annual Caps for the LYNK & CO Wholesale Financing Business for the three years ending 31 December 2023 are approximately RMB450.0 million, RMB675.0 million and RMB1,125.0 million, respectively. The LYNK & CO Retail Annual Caps for the LYNK & CO Retail Financing Business for the three years ending 31 December 2023 are approximately RMB10,153.9 million, RMB13,303.5 million and RMB17,149.7 million, respectively.

(ii) *Fengsheng Financing Arrangements – Fengsheng Finance Cooperation Agreement*

Genius AFC and Fengsheng Sales entered into the Fengsheng Finance Cooperation Agreement, pursuant to which Genius AFC will provide vehicle financing services to the Fengsheng Retail Customers to assist them to purchase Maple-Branded Vehicles.

Under the terms of the Fengsheng Finance Cooperation Agreement, Genius AFC will enter into the Fengsheng Retail Loan Cooperation Agreement with the Fengsheng Dealers, pursuant to which such dealers shall recommend their retail customers to use Genius AFC for the obtaining of vehicle loans to finance their

purchase of Maple-Branded Vehicles. After the commencement of the Fengsheng Retail Financing Business, Genius AFC will enter into individual Fengsheng Retail Loan Agreements with the Fengsheng Retail Customers.

The Fengsheng Financing Annual Caps for the Fengsheng Retail Financing Business for the three years ending 31 December 2023 are approximately RMB72.3 million, RMB120.5 million and RMB241.0 million, respectively.

(iii) Geely Holding Financing Arrangements – Geely Holding Finance Cooperation Agreement

Genius AFC and Geely Holding entered into the Geely Holding Finance Cooperation Agreement, pursuant to which Genius AFC will provide vehicle financing services to the Geely Retail Customers to assist them to purchase (a) Geely Holding-Owned Brands Vehicles from the Geely Holding Dealers; or (b) Geely-Branded Vehicles from the Connected Geely Dealers.

Under the Geely Holding Finance Cooperation Agreement, Geely Holding will use its reasonable endeavours to procure the Geely Holding Dealers to recommend their retail customers to use the retail financing services provided by Genius AFC for the purchase of the Geely Holding-Owned Brands Vehicles. Genius AFC will enter into the individual finance cooperation agreement with the Geely Holding Automobile Entities pursuant to the Geely Holding Finance Cooperation Agreement. In addition, under the Geely Holding Finance Cooperation Agreement, Geely Holding shall procure the Connected Geely Dealers, which have been operated by the Geely Holding Group from 2020, to recommend their retail customers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of Geely-Branded Vehicles. After the commencement of the Geely Holding Retail Financing Business, Genius AFC will enter into individual Geely Holding Retail Loan Agreements and Geely Retail Loan Agreements with the Geely Retail Customers respectively.

The Geely Holding Financing Annual Caps for the Geely Holding Retail Financing Business for the three years ending 31 December 2023 are approximately RMB279.8 million, RMB377.9 million, and RMB606.5 million, respectively.

(2) EXEMPTED CONTINUING CONNECTED TRANSACTIONS

R&D Services and Technology Licensing Agreement

On 4 November 2020, the Company, Geely Holding and LYNK & CO entered into the R&D Services and Technology Licensing Agreement pursuant to which (i) the Group agreed to provide to the Geely Holding Group and LYNK & CO Group R&D and related technological support services, including research and development of new technologies and new products, technical verification and testing, technical consultation services, technical support services, technology licensing, etc.; and (ii) the Group agreed to procure from the Geely Holding Group R&D and related technological support services, including research and development of new technologies and new products, technical verification and testing, technical consultation, technical support services, technology licensing, etc. for a term from the date of the R&D Services and Technology Licensing Agreement to 31 December 2022.

In view of the increasing demand for the R&D services to be provided to the Geely Holding Group and LYNK & CO Group and the anticipated need of technology licensing required for vehicle engines, transmissions and automobile-related products, the Directors expect that the annual cap under the 2019 R&D and Technology Support Agreement for the year ending 31 December 2020 will not be sufficient to meet the demand. As such, the 2019 R&D and Technology Support Agreement entered into among the Company, Geely Holding and LYNK & CO, as further described in the announcement of the Company dated 26 November 2019, will be terminated and superseded by the R&D Services and Technology Licensing Agreement upon its effective date.

The proposed annual caps of the service fees and licenses fees receivable by the Group under the R&D Services and Technology Licensing Agreement for the period from the date of the R&D Services and Technology Licensing Agreement to 31 December 2020 and each of the two years ending 31 December 2022 are approximately RMB1,475.7 million, RMB3,711.6 million and RMB4,046.5 million, respectively.

The proposed annual caps of the service fees and license fees payable by the Group under the R& D Services and Technology Licensing Agreement for the period from the date of the R&D Services and Technology Licensing Agreement to 31 December 2020 and each of the two years ending 31 December 2022 are approximately RMB437.5 million, RMB676.3 million and RMB528.8 million, respectively.

(3) EXEMPTED CONNECTED TRANSACTION

Assets Acquisition Agreement

On 4 November 2020, the Company and Geely Holding entered into the Assets Acquisition Agreement pursuant to which the Group agreed to purchase, and the Geely Holding Group agreed to sell, the Target Assets for a maximum cash consideration of approximately RMB744.0 million.

IMPLICATIONS UNDER THE LISTING RULES

- (a) Non-exempt continuing connected transactions contemplated under the Master CKDs and Automobile Components Sales Agreement, Master CKDs and Automobile Components Purchase Agreement, the New Powertrain Sales Agreement and the Automobile Financing Arrangements**

Master CKDs and Automobile Components Sales Agreement, Master CKDs and Automobile Components Purchase Agreement, and the New Powertrain Sales Agreement

As at the date of this announcement, Geely Holding is beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 41.20% of the issued share capital of the Company as at the date of this announcement, and is a connected person of the Company. Accordingly, Geely Holding is an associate of Mr. Li and a connected person of the Company for the purpose of the Listing Rules, and the transactions contemplated under the Master CKDs and Automobile Components Sales Agreement, Master CKDs and Automobile Components Purchase Agreement and the New Powertrain Sales Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps under the Master CKDs and Automobile Components Sales Agreement, Master CKDs and Automobile Components Purchase Agreement as well as the New Powertrain Sales Agreement exceed 5% on an annual basis, the proposed annual caps under the Master CKDs and Automobile Components Sales Agreement, Master CKDs and Automobile Components Purchase Agreement and the New Powertrain Sales Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules respectively.

Automobile Financing Arrangements

As at the date of this announcement, Genius AFC is owned as to 80% by the Company and 20% by BNPP PF. The exercise of call option by BNPP PF to acquire additional equity interest in Genius AFC with reference to the announcement of the Company dated 12 August 2020 has not yet been completed as at the date of this announcement.

As at the date of this announcement, LYNK & CO Sales is a wholly owned subsidiary of LYNK & CO, which is a joint venture of the Company established and owned as to 50%, 20% and 30% by Zhejiang Jirun, Zhejiang Haoqing and VCI, respectively. Zhejiang Haoqing and VCI are owned as to 100% and 97.8% by Geely Holding. As such, LYNK & CO Sales is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

The Geely Holding Group has operated the Connected LYNK & CO Dealers from 2020 to facilitate the sales of LYNK & CO-branded vehicles to the retail customers. As the LYNK & CO Dealers as defined in the LYNK & CO Finance Cooperation Agreement include the Connected LYNK & CO Dealers, both Independent LYNK & CO Dealers and Connected LYNK & CO Dealers will be covered by the LYNK & CO Financing Arrangements. Since the Connected LYNK & CO Dealers are connected persons of the Company, the transactions between Genius AFC and the Connected LYNK & CO Dealers contemplated under the LYNK & CO Financing Arrangements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For the Independent LYNK & CO Dealers and the LYNK & CO Retail Customers, who are independent third parties to the Company and its connected persons, their transactions with Genius AFC are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the Independent LYNK & CO Dealers and the LYNK & CO Retail Customers will use the loans provided by Genius AFC to purchase vehicles from LYNK & CO Sales, which is a connected person of the Company under the Listing Rules.

As at the date of this announcement, Fengsheng Sales is ultimately wholly owned by Fengsheng. Fengsheng is owned as to 78% by Geely Technology and 22% by Kandi Vehicles while Geely Technology is beneficially wholly owned by Mr. Li and his associate. As such, Fengsheng Sales and Fengsheng are associates of Mr. Li and connected persons of the Company under the Listing Rules.

The Fengsheng Dealers as defined in the Fengsheng Finance Cooperation Agreement include both Independent Fengsheng Dealers and Connected Fengsheng Dealers (if any). For the avoidance of doubt, the Geely Holding Group has not set up any Connected Fengsheng Dealers up to the date of this announcement. The proposed Fengsheng Financing Annual Caps for each of the three years ending 31 December 2023 include only new financing amounts to be provided by Genius AFC to the Fengsheng Retail Customers who will purchase Maple-Branded Vehicles from the Independent Fengsheng Dealers. Should Genius

AFC provide financing services to the Fengsheng Retail Customers who will purchase Maple-Branded Vehicles from Connected Fengsheng Dealers under the Fengsheng Financing Arrangements during the term of the Fengsheng Finance Cooperation Agreement, such transactions will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules and will be governed by the proposed Fengsheng Financing Annual Caps for each of the three years ending 31 December 2023. On the other hand, transactions between Genius AFC and the Independent Fengsheng Dealers as well as the Fengsheng Retail Customers, who are independent to the Company and its connected persons, pursuant to the Fengsheng Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the Fengsheng Retail Customers will use the loans provided by Genius AFC to purchase Maple-Branded Vehicles from Fengsheng Sales, which is a connected person of the Company under the Listing Rules.

The Geely Holding Dealers as defined in the Geely Holding Finance Cooperation Agreement include both Independent Geely Holding Dealers and Connected Geely Holding Dealers (if any). For the avoidance of doubt, the Geely Holding Group has not set up any Connected Geely Holding Dealers up to the date of this announcement. The proposed Geely Holding Financing Annual Caps for each of the three years ending 31 December 2023 include only new financing amounts to be provided by Genius AFC to the Geely Retail Customers who will purchase Geely Holding-Owned Brands Vehicles from the Independent Geely Holding Dealers and Geely-Branded Vehicles from the Connected Geely Dealers, respectively. Should Genius AFC provide financing services to the Geely Retail Customers who will purchase Geely Holding-Owned Brands Vehicles from the Connected Geely Holding Dealers under the Geely Holding Financing Arrangements during the term of the Geely Holding Finance Cooperation Agreement, such transactions will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules and will be governed by the proposed Geely Holding Financing Annual Caps for each of the three years ending 31 December 2023. On the other hand, since the Connected Geely Dealers, which have not yet entered into any transactions with Genius AFC since their operation from 2020, are connected persons of the Company, transactions between Genius AFC and the Connected Geely Dealers contemplated under the Geely Holding Financing Arrangements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. Further, transactions between Genius AFC and the Independent Geely Holding Dealers as well as the Geely Retail Customers, who are independent to the Company and its connected persons, pursuant to the Geely Holding Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the Geely Retail Customers will use the loans provided by Genius AFC to purchase Geely Holding-Owned Brands Vehicles from the Geely Holding Group, which is a connected person of the Company under the Listing Rules.

As one or more of the applicable percentage ratios for the proposed annual caps of the continuing connected transactions contemplated under the Automobile Financing Arrangements, exceed(s) 5% on an aggregated and annual basis, the continuing connected transactions contemplated under the Automobile Financing Arrangements are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(b) Exempted continuing connected transactions in relation to the R&D Services and Technology Licensing Agreement

As Geely Holding is a connected person of the Company, the transactions contemplated under the R&D Services and Technology Licensing Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the proposed annual caps for the R&D Services and Technology Licensing Agreement on an annual basis are over 0.1% but less than 5%, the transactions contemplated under the R&D Services and Technology Licensing Agreement are subject to the reporting, annual review, announcement requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(c) Exempted connected transaction in relation to the Assets Acquisition Agreement

Geely Holding is a connected person of the Company. Accordingly, the transaction contemplated under the Assets Acquisition Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transaction contemplated under the Assets Acquisition Agreement are over 0.1% but less than 5%, the transaction contemplated under the Assets Acquisition Agreement is subject to the reporting and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

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 Non-Exempt Continuing Connected Transactions, the R&D Services and Technology Licensing Agreement and the Assets Acquisition Agreement by virtue of their interests and/or directorship in Geely Holding. As a result, Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui have abstained from voting on the Board resolutions for approving the Non-Exempt Continuing Connected Transactions, the R&D Services and Technology Licensing Agreement and the Assets Acquisition Agreement.

The Independent Board Committee has been formed to advise the Independent Shareholders with respect to the Non-Exempt Continuing Connected Transactions, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Non-Exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

A circular containing, among other things, (i) further information about the Non-Exempt Continuing Connected Transactions; (ii) the recommendation of the Independent Board Committee in respect of the Non-Exempt Continuing Connected Transactions; (iii) the advice of the Independent Financial Adviser on the Non-Exempt Continuing Connected Transactions; and (iv) other information as required under the Listing Rules together with the notice of the EGM, will be despatched to the Shareholders on or before 4 December 2020 (which is more than 15 business days after the publication of this announcement) after taking into account the time required for preparing and gathering the relevant information to be contained in the circular.

Completion of the transactions contemplated under the Non-Exempt Continuing Connected Transactions, the R&D Services and Technology Licensing Agreement and the Assets Acquisition Agreement is subject to the satisfaction of the conditions precedent under the respective 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.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(A) Master CKDs and Automobile Components Sales Agreement

Reference is made to the announcement of the Company dated 24 September 2018 in relation to the 2018 Proton Sales Agreement and the announcement of the Company dated 5 October 2018 in relation to the 2018 Kandi Supply Agreement, respectively. Pursuant to the 2018 Proton Sales Agreement, the Group agreed to sell CBUs, CKDs and related after-sales parts of the Licensed Models in relation to the Proton-branded vehicles to the Geely Holding Group for a term of three years ending 31 December 2020. Pursuant to the 2018 Kandi Supply Agreement, the Group agreed to sell automobile parts and components to Kandi Group for a term of three years ending 31 December 2021. Since the Maple-Branded Vehicles will be manufactured based on the CKDs and automobile components supplied by the Group to the Geely Holding Group, the 2018 Kandi Supply Agreement will be superseded by the Master CKDs and Automobile Components Sales Agreement upon the commencement date of the Master CKDs and Automobile Components Sales Agreement.

On 4 November 2020 (after trading hours), the Company and Geely Holding entered into the Master CKDs and Automobile Components Sales Agreement for a term of three years ending on 31 December 2023.

The principal terms of the Master CKDs and Automobile Components Sales Agreement are summarised below:

Date

4 November 2020 (after trading hours)

Parties

Vendor: The Company

Purchaser: Geely Holding

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

Geely Holding is principally engaged in the sales of automobiles and related parts and components wholesale and retail business. As at the date of this announcement, Geely Holding is beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 41.20% of the issued share capital of the Company as at the date of this announcement. Accordingly, Geely Holding is an associate of Mr. Li and a connected person of the Company for the purpose of the Listing Rules.

Subject matter

Pursuant to the Master CKDs and Automobile Components Sales Agreement, it was conditionally agreed that the Group will sell CKDs and automobile components in relation to vehicle models including Proton-branded vehicles, Maple-Branded Vehicles, Farizon-branded vehicles etc. to the Geely Holding Group.

For the avoidance of doubt, the CKDs and automobile components to be sold to the Geely Holding Group under the Master CKDs and Automobile Components Sales Agreement are different from those to be sold to (i) the Geely Holding Group under the Services Agreement; (ii) the Geely Holding Group under the Zhidou EV CKD Supply Agreement; and (iii) the Geely Holding Group and GGL Group under the Electric Vehicle Agreement, which were respectively disclosed in the announcement of the Company dated 5 October 2018. Under the Services Agreement, the CKDs to be sold by the Group to the Geely Holding Group are not for distribution to end customers by the Geely Holding Group (instead, the Geely Holding Group performs final assembly of the CKDs into CBUs, facilitates payment of the PRC consumption tax, and then sells back the CBUs to the Group for its distribution to end customers). Under the Zhidou EV CKD Supply Agreement, products to be sold by the Group to the Geely Holding Group include CKDs of electric vehicles which will be sold onwards by the Geely Holding Group to the Zhidou Group for its distribution to end customers under its own brand. Under the Electric Vehicle Agreement, products to be sold by the Group to the Geely Holding Group (i)

CBUs of electric vehicles which are sold for the purpose of taking advantage of the fact that only certain subsidiaries of the Geely Holding Group are eligible to the new energy vehicle subsidies granted by the PRC government in certain regions of the PRC which effectively lower the end customers' purchase price of the Group's electric vehicles and are therefore essential for facilitating the Group's sale of electric vehicles in those regions; and (ii) CBUs of electric vehicles which are for the ultimate use by 杭州優行科技有限公司 (Hangzhou Youxing Technology Company Limited*), a subsidiary of GGL which operates Cao Cao, a new energy focused ride hailing and mobility service headquartered in the PRC. For the reasons as described above, the pricing bases for the products to be sold by the Group under the Master CKDs and Automobile Components Sales Agreement, the Services Agreement, the Zhidou EV CKD Supply Agreement and the Electric Vehicle Agreement are different. Further, the transactions contemplated under the Master CKDs and Automobile Components Sales Agreement will not overlap with the transactions contemplated under the Geely Holding & LYNK & CO Automobile Parts Supply Agreement of which details are disclosed in the announcement of the Company dated 5 October 2018, as the Group has ceased to sell automobile parts and components to the Geely Holding Group and the LYNK & CO Group pursuant to the Geely Holding & LYNK & CO Automobile Parts Supply Agreement since September 2020 after the completion of disposal of entire registered capital of the Ningbo Jining to the Geely Holding Group as disclosed in the announcement of the Company dated 9 July 2020.

The sales of CKDs and automobile components by the Group to the Geely Holding Group will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and on terms no less favourable to the Company than terms available to or from (as applicable) other independent third parties to the Company.

Term

The Master CKDs and Automobile Components Sales Agreement has a term of three years from 1 January 2021 to 31 December 2023.

Condition precedent to the Master CKDs and Automobile Components Sales Agreement

The Master CKDs and Automobile Components Sales Agreement is subject to the Company having complied with the relevant requirements of the Listing Rules with regard to the continuing connected transactions contemplated under the Master CKDs and Automobile Components Sales Agreement.

If the above condition has not been fulfilled on or before 31 December 2020 (or such later date as the parties may agree in writing), the Master CKDs and Automobile Components Sales Agreement will lapse and all the obligations and liabilities of the parties under the Master CKDs and Automobile Components Sales Agreement will cease and terminate.

Termination

Either party may terminate the Master CKDs and Automobile Components Sales Agreement (i) by giving the other three months prior written notice; or (ii) at any time if (a) either party ceases business, or is ordered to close down by the court or the relevant authorities in the relevant jurisdictions as a result of material violation of laws or regulations, declares bankrupt, or is unable to perform its obligations under the Master CKDs and Automobile Components Sales Agreement due to force majeure; or (b) Geely Holding ceases to be a connected person of the Company.

Pricing basis, historical transaction amounts and proposed CKDs and Automobile Components Sales Annual Caps

(a) Pricing basis

Pursuant to the Master CKDs and Automobile Components Sales Agreement, the CKDs and automobile components to be sold by the Group to the Geely Holding Group in relation to vehicle models including Proton-branded vehicles, Maple-Branded Vehicles, Farizon-branded vehicles will be based on cost-plus basis according to:

- (i) the actual costs of manufacturing the CKDs and automobile components by the Group (including related taxes); plus
- (ii) the agreed margin rate

The margin rate will be determined by the Company and Geely Holding after arm's length negotiation with reference to the median three-year weighted average cost-plus-margins of comparable companies producing similar products as stated in a transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification. According to the transfer pricing analysis report issued on 30 September 2020 (the "**Supply Pricing Analysis Report**"), the margin rate is 6.87%, which is the median three-year weighted average cost-plus-margins of comparable companies producing similar automobile parts and components. The aforementioned margin rate is only for the purpose of calculating the proposed annual caps below and may be changed from time to time and shall not be deemed to be the fixed rate for the transactions throughout the term of the Master CKDs and Automobile Components Sales Agreement. Having considered the pricing basis with reference to the Supply Pricing Analysis Report, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider the pricing basis under the Master CKDs and Automobile Components Sales Agreement fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) Historical transaction amounts and proposed annual caps

The table below sets out the historical transaction amounts for the two years ended 31 December 2019 and the eight months ended 31 August 2020 for the sales of CBUs, CKDs and related after-sales parts of the Licensed Models in relation to the Proton-branded vehicles by the Group to the Geely Holding Group pursuant to the 2018 Proton Sales Agreement.

	Historical transaction amounts			Approved annual caps		
	for the year ended 31 December		Historical transaction amount for the eight months ended 31 August	for the year ended/ending 31 December		
	2018	2019	2020	2018	2019	2020
	RMB million (Audited)	RMB million (Audited)	RMB million (Unaudited)	RMB million	RMB million	RMB million
Sales of CBUs, CKDs and related after-sales parts of the Licensed Models in relation to the Proton-branded vehicles by the Group to the Geely Holding Group	253.9	2,722.8	788.6	398.7	3,803.5	4,147.7
Utilisation rate of annual caps				63.7%	71.6%	19.0% (Note)

Note: Utilisation rate of the annual cap for the year ending 31 December 2020 was calculated by dividing the historical transaction amounts for the eight months ended 31 August 2020 by the approved annual cap for the full financial year ending 31 December 2020.

The relatively low utilisation rate of the annual cap for the year ended 31 December 2018 under the 2018 Proton Sales Agreement was due to the slower-than-expected start-up of the sales network in the Licensed Regions which in turn led to a lower-than-expected sales volume of certain Proton-branded vehicles. The increase in the utilisation rate of the annual cap for the year ended 31 December 2019 was due to the increase in sales of the Proton-branded vehicles in Malaysia which resulted in increase in demand for the CBUs, CKDs and related after-sales parts of the Licensed Models in relation to the Proton-branded vehicles during the same period. The low utilisation rate of the annual cap for the eight months ended 31 August 2020 was primarily due to the lower-than-expected sales of

the Proton-branded vehicles in Malaysia due to the outbreak of the New Coronavirus. The Directors expect the sales of the Proton-branded vehicles will recover gradually as the effect of the New Coronavirus eases.

The table below sets out the historical transaction amounts for the year ended 31 December 2019 and the eight months ended 31 August 2020 for the supply of automobile parts and components by the Group to the Kandi Group pursuant to the 2018 Kandi Supply Agreement.

	Historical transaction amount for the year ended 31 December 2019 RMB million (Audited)	Historical transaction amount for the eight months ended 31 August 2020 RMB million (Unaudited)	Approved annual caps for the year ended/ending 31 December		
			2019 RMB million	2020 RMB million	2021 RMB million
Supply of automobile parts and components by the Group to the Kandi Group	0.5	29.8	227.6	295.9	384.6
Utilisation rate of annual caps			0.2%	10.1% (Note)	N/A

Note: Utilisation rate of the annual cap for the year ending 31 December 2020 was calculated by dividing the historical transaction amounts for the eight months ended 31 August 2020 by the approved annual cap for the full financial year ending 31 December 2020.

The low utilisation rate of the annual cap for the supply of automobile parts and components by the Group to the Kandi Group for the year ended 31 December 2019 was due to the slowdown in supply of the Maple-Branded Vehicles (previously under the brand of Kandi) which required further upgrade on technologies and performance efficiency. Due to the outbreak of the New Coronavirus, the introduction of the modified models was postponed which led to a drop in the sales volume of the Maple-Branded Vehicles and adversely affected the demand of the automobile parts and components from the Fengsheng Group (previously known as Kandi Group), resulting in a low utilisation rate of the annual cap for the supply of automobile parts and components by the Group to the Kandi Group for the eight months ended 31 August 2020.

The table below sets out the proposed CKDs and Automobile Components Sales Annual Caps in relation to vehicle models including Proton-branded vehicles, Maple-Branded Vehicles, Farizon-branded vehicles. After the commencement of the Master CKDs and

Automobile Components Sales Agreement, the CKDs and automobile components in relation to the Proton-branded vehicles and Maple-Branded Vehicles to be procured by the Geely Holding Group will be sold to the Proton Group and Fengsheng Group for the manufacture and sales of the Proton-branded vehicles and Maple-Branded Vehicles respectively.

	Proposed annual caps		
	for the year ending 31 December		
	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Sale of CKDs and automobile components by the Group to the Geely Holding Group	5,945.6	9,163.7	12,027.1

(c) Basis of determination of the proposed annual caps

The proposed CKDs and Automobile Components Sales Annual Caps were determined by the Directors with reference to:

- (i) the estimated number of units of CKDs and automobile components of the Licensed Models in relation to the Proton-branded vehicles and Maple-Branded Vehicles to be sold by the Group to the Geely Holding Group, which in turn was determined based on the projected unit sales of the Proton-branded vehicles (including existing Proton-branded vehicles and the new model which is expected to be launched in 2022) and the Maple-Branded Vehicles (including the vehicle model which is expected to be launched in 2021 and the introduction of an updated version of a vehicle model in 2022) for the three years ending 31 December 2023;
- (ii) The estimated number of units of CKDs and automobile components of the existing vehicle model of the Maple-Branded Vehicles and the Farizon-branded vehicles, which are expected to be launched by the Geely Holding Group at the end of 2020, based on the projected unit sales of the aforesaid vehicle models for the three years ending 31 December 2023;
- (iii) the estimated actual cost of manufacturing CKDs and automobile components of Licensed Models in relation to the Proton-branded vehicles and Maple-Branded Vehicles, the existing vehicle model of Maple-Branded Vehicles and Farizon-branded vehicles (including but not limited to the material costs, labour costs and overhead costs) and the related taxes for the three years ending 31 December 2023; and
- (iv) the margin rate of 6.87% over such estimated manufacturing costs of CKDs and automobile components respectively with reference to the Supply Pricing Analysis Report.

The increase in the CKDs and Automobile Components Sales Annual Caps for each of the two years ending 31 December 2023 is primarily due to the expectation of the gradual easing of the New Coronavirus and new/updated vehicle models of the Proton Group and the Fengsheng Group to be launched in 2021 or 2022 that is believed to help promote and drive up sales growth during the same period.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the CKDs and Automobile Components Sales Annual Caps for the three years ending 31 December 2023 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER CKDS AND AUTOMOBILE COMPONENTS SALES AGREEMENT

The Group has been or will be manufacturing, selling, marketing and distributing the Licensed Models under the Geely brand. The Group has also been manufacturing and selling automobile components of certain Licensed Models in relation to the Proton-branded vehicles to the Geely Holding Group which then sold to the Proton Group for the manufacture and sales of the Proton-branded vehicles. Similarly, the CKDs and related automobile components of the existing vehicle model of the Maple-Branded Vehicles and the Licensed Models in relation to the Maple-Branded Vehicles will be procured by the Geely Holding Group which will then be sold to the Fengsheng Group for the manufacture and sales of the Maple-Branded Vehicles. On the other hand, the CKDs and related automobile components of the Farizon-branded vehicles will be procured and used by the Geely Holding Group. The Company considers that the manufacture and sale of the CKDs and automobile components of the existing model of the Maple-Branded Vehicles, the Farizon-branded vehicles and the Licensed Models in relation to the Proton-branded vehicles and Maple-Branded Vehicles will provide an opportunity for the Group to further expand its revenue sources and also increase the utilisation of its production capacity.

INTERNAL CONTROL MEASURES IN RELATION TO PRICING FOR THE MASTER CKDS AND AUTOMOBILE COMPONENTS SALES AGREEMENT

In order to ensure that the aforesaid pricing basis for the Master CKDs and Automobile Components Sales Agreement is adhered to, the Group will monitor the manufacturing costs including the labour costs, material costs and overhead costs as well as the applicable PRC taxes to ensure that the selling price of such CKDs and automobile components are determined properly. The Company and Geely Holding will negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions. The Company and Geely Holding will determine the margin rate with reference to a transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification. The Company and Geely Holding will review the scope of the CKDs and automobile components to be sold by the Group to the Geely Holding Group on yearly basis (or more frequently if it is determined necessary) to determine whether updated transfer pricing analysis report should be obtained for the

determination of the margin rate. The margin rate will be determined with reference to the median three-year weighted average cost-plus-margins of the comparable companies as stated in such updated transfer pricing analysis report.

(B) Master CKDs and Automobile Components Purchase Agreement

On 4 November 2020 (after trading hours), the Company and Geely Holding entered into the Master CKDs and Automobile Components Purchase Agreement for a term of three years ending on 31 December 2023.

The principal terms of the Master CKDs and Automobile Components Purchase Agreement are summarised below:

Date

4 November 2020 (after trading hours)

Parties

Vendor: Geely Holding

Purchaser: The Company

Please refer to the paragraph headed “(A) Master CKDs and Automobile Components Sales Agreement – Parties” for further details regarding the Group and Geely Holding.

Subject matter

Pursuant to the Master CKDs and Automobile Components Purchase Agreement, it was conditionally agreed that the Group will purchase CKDs and automobile components under the Geely brand including Vision X6 vehicle model, etc. from the Geely Holding Group.

For the avoidance of doubt, the CKDs and automobile components to be purchased from the Geely Holding Group under the Master CKDs and Automobile Components Purchase Agreement are different from those to be purchased from (i) the Geely Holding Group under the Services Agreement; and (ii) the Geely Holding Group under the Automobile Components Procurement Agreement, which were respectively disclosed in the announcement of the Company dated 5 October 2018. Under the Services Agreement, the products to be purchased from the Geely Holding Group by the Group are CBUs for sales and distribution to end customers. Under the Automobile Components Procurement Agreement, products to be purchased from the Geely Holding Group are automobile components (including batteries, motors, electronic control system products, headlights, car seats, etc.) which can be priced with reference to the prevailing market price of similar products. For the reasons as described above,

the pricing bases for the products to be purchased from the Geely Holding Group under the Master CKDs and Automobile Components Purchase Agreement, the Services Agreement and the Automobile Components Procurement Agreement are different.

The purchase of CKDs and automobile components by the Group from the Geely Holding Group will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and on terms no less favourable to the Company than terms available to or from (as applicable) other independent third parties to the Company.

Term

The Master CKDs and Automobile Components Purchase Agreement has a term of three years from 1 January 2021 to 31 December 2023.

Condition precedent to the Master CKDs and Automobile Components Purchase Agreement

The Master CKDs and Automobile Components Purchase Agreement is subject to the Company having complied with the relevant requirements of the Listing Rules with regard to the continuing connected transactions contemplated under the Master CKDs and Automobile Components Purchase Agreement.

If the above condition has not been fulfilled on or before 31 December 2020 (or such later date as the parties may agree in writing), the Master CKDs and Automobile Components Purchase Agreement will lapse and all the obligations and liabilities of the parties under the Master CKDs and Automobile Components Purchase Agreement will cease and terminate.

Termination

Either party may terminate the Master CKDs and Automobile Components Purchase Agreement (i) by giving the other three months prior written notice; or (ii) at any time if (a) either party ceases business, or is ordered to close down by the court or the relevant authorities in the relevant jurisdictions as a result of material violation of laws or regulations, declares bankrupt, or is unable to perform its obligations under the Master CKDs and Automobile Components Purchase Agreement due to force majeure; or (b) Geely Holding ceases to be a connected person of the Company.

Pricing basis, historical transaction amounts and proposed CKDs and Automobile Components Purchase Annual Caps

(a) Pricing basis

Pursuant to the Master CKDs and Automobile Components Purchase Agreement, the CKDs and automobile components under the Geely brand including the Vision X6 vehicle model, etc. will be purchased by the Group from the Geely Holding Group at prices calculated on a cost-plus basis according to:

- (i) the actual costs of manufacturing CKDs and automobile components by the Geely Holding Group (including related taxes); plus
- (ii) an agreed margin rate

The margin rate will be determined by the Company and Geely Holding after arm’s length negotiation with reference to the median three-year weighted average cost-plus-margins of comparable companies producing similar products as stated in a transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification. According to the transfer pricing analysis report issued on 22 September 2020 (the “**Purchase Pricing Analysis Report**”), the margin rate of CKDs and other automobile components of 3.15% is the median three-year weighted average cost-plus-margins of comparable companies focusing on contract manufacturing of automobile parts and components. The aforementioned margin rate is only for the purpose of calculating the proposed annual caps below and may be changed from time to time and shall not be deemed to be fixed throughout the term of the Master CKDs and Automobile Components Purchase Agreement. Having considered the pricing basis with reference to the Purchase Pricing Analysis Report, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider the pricing basis under the Master CKDs and Automobile Components Purchase Agreement fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(b) Proposed annual caps

	Proposed annual caps		
	for the year ending 31 December		
	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Purchase of CKDs and automobile components from the Geely Holding Group by the Group	11,953.9	26,346.8	23,842.7

(c) Basis of determination of the proposed annual caps

The proposed CKDs and Automobile Components Purchase Annual Caps were determined by the Directors with reference to:

- (i) the estimated number of units of CKDs and the automobile components in relation to the Vision X6 and the new vehicle model to be purchased from the Geely Holding Group by the Group, which in turn was determined based on (i) the projected unit sales of the Vision X6 vehicle model with reference to the actual unit sales for the eight months ended 31 August 2020; and (ii) the projected unit sales of a new vehicle model to be launched in 2021 for the three years ending 31 December 2023;
- (ii) the estimated costs of manufacturing CKDs and automobile components in relation to the Vision X6 vehicle model and the new vehicle model (including but not limited to the material costs, labour costs and overhead costs) and related taxes for the three years ending 31 December 2023; and
- (iii) the margin rate of 3.15% over such estimated manufacturing costs of CKDs and automobile components respectively with reference to the Purchase Pricing Analysis Report.

The increase in the CKDs and Automobile Components Purchase Annual Caps for the year ending 31 December 2022 is primarily due to the projected increase in the sales volume of the new vehicle model which is expected to be launched in 2021 and enter into the growth stage by 2022.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the CKDs and Automobile Components Purchase Annual Caps for the three years ending 31 December 2023 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER CKDS AND AUTOMOBILE COMPONENTS PURCHASE AGREEMENT

The Group will procure CKDs and automobile components of Vision X6 vehicle model and the new vehicle model under the Geely brand from the Geely Holding Group. For the Vision X6 vehicle model, which is currently manufactured by the Group, it has been facing downward market demand since 2019 and the Group expects that it will be faded out from the market gradually. Considering the decreasing production volume of Vision X6 vehicle model given the decreasing demand from the end customers, the Company considers that the procurement of CKDs and automobile components of Vision X6 vehicle model from the Geely Holding Group will enable the Group to achieve better cost efficiencies of sharing the production plant with the Geely Holding Group instead of manufacturing the Vision X6 vehicle model by the Group itself. For the new vehicle model under the Geely brand

which is expected to launch in 2021, since the existing production facilities of the Group are not tailored for the manufacture of the new vehicle model, it will be manufactured by a new production facility owned by the Geely Holding Group, which has sufficient capacity to manufacture the new vehicle model, for the Group. The procurement of CKDs and automobile components of the new vehicle model from the Geely Holding Group will allow the Group to benefit from cost efficiencies of sharing the same production facilities and also save significant cost of capital investment.

INTERNAL CONTROL MEASURES IN RELATION TO PRICING FOR THE MASTER CKDS AND AUTOMOBILE COMPONENTS PURCHASE AGREEMENT

In order to ensure that the aforesaid pricing basis for the Master CKDs and Automobile Components Purchase Agreement is adhered to, the Group will monitor the relevant costs and expenses to ensure the fairness of the purchase price of such CKDs and automobile components. The Company and Geely Holding will also negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions. The Company and Geely Holding will review the scope of the CKDs and automobile components to be sold by the Geely Holding Group to the Group on yearly basis (or more frequently if it is determined necessary) to determine whether updated transfer pricing analysis report should be obtained for the determination of the margin rate. The margin rate will be determined with reference to the median three-year weighted average cost-plus-margins of the comparable companies as stated in such updated transfer pricing analysis report.

(C) The New Powertrain Sales Agreement

Reference is made to the Company's announcement dated 7 November 2017 regarding the 2017 Powertrain Sales Agreement pursuant to which the Group agreed to sell vehicle engines, transmissions and related after-sales parts to the Geely Holding Group and the LYNK & CO Group in accordance with the terms set out therein for a term of three years ending 31 December 2020.

As the 2017 Powertrain Sales Agreement is due to expire on 31 December 2020, the Company, Geely Holding and LYNK & CO, entered into the New Powertrain Sales Agreement on 4 November 2020 pursuant to which the Group conditionally agreed to sell vehicle engines, transmissions and related after-sales parts to the Geely Holding Group and the LYNK & CO Group on terms similar as that set out in the 2017 Powertrain Sales Agreement for a term of three years ending 31 December 2023.

The principal terms of the New Powertrain Sales Agreement are summarised below:

Date

4 November 2020 (after trading hours)

Parties

Vendor: The Company

Purchaser: LYNK & CO and Geely Holding

Please refer to the paragraph headed “(A) Master CKDs and Automobile Components Sales Agreement – Parties” for further details regarding the Group and the Geely Holding.

LYNK & CO is a Chinese-foreign equity joint venture of the Company established in the PRC and is owned as to 50% by Zhejiang Jirun, as to 20% by Zhejiang Haoqing and as to 30% by VCI as at the date of this announcement. Zhejiang Haoqing and VCI are owned as to 100% and 97.8%, respectively by Geely Holding. LYNK & CO is principally engaged in the manufacture and sale of LYNK & CO-branded vehicles, and the provision of after-sales parts.

Subject matter

Pursuant to the New Powertrain Sales Agreement, the Group agreed to sell vehicle engines, transmissions and related after-sales parts manufactured by the Group to the LYNK & CO Group and the Geely Holding Group.

The sale of vehicle engines, transmissions and related after-sales parts by the Group to the LYNK & CO Group and the Geely Holding Group will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and on terms no less favourable to the Company than terms available to or from (as applicable) the independent third parties from or to the Company.

Pricing Basis

Pursuant to the New Powertrain Sales Agreement, vehicle engines, transmissions and after-sales parts will be sold to the LYNK & CO Group and the Geely Holding Group at prices determined based on the formula below:

Selling price = C1 plus margin rate

Where:

C1 = actual costs incurred for the manufacturing of vehicle engines, transmissions and after-sales parts plus related tax.

The margin rate will be determined by the Company, LYNK & CO and Geely Holding after arm’s length negotiation with reference to a pricing analysis report on the median three-year weighted average cost-plus-margins of the comparable companies that are principally engaged in the sales and manufacturing of vehicle engines, transmissions and/or their related parts and

components prepared by an independent certified public accountant or institution with the same qualification. The margin rate is 6% based on the pricing analysis report issued on 30 September 2020 (the “**Powertrain Pricing Analysis Report**”). The aforementioned margin rate is only for the purpose of calculating the proposed annual caps below and may be changed from time to time and shall not be deemed as the fixed rate for the transactions throughout the term of the New Powertrain Sales Agreement. Having considered the pricing basis with reference to the Powertrain Pricing Analysis Report, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider the pricing basis under the New Powertrain Sales Agreement fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Term

From 1 January 2021 to 31 December 2023.

Condition precedent

The New Powertrain Sales Agreement is subject to the Company having complied with the relevant requirements of the Listing Rules with regard to the continuing connected transactions contemplated under the New Powertrain Sales Agreement.

If the above condition has not been fulfilled on or before 31 December 2020 (or such later date as the parties may agree in writing), the New Powertrain Sales Agreement will lapse and all the obligations and liabilities of the parties thereto will cease and terminate.

Termination

The New Powertrain Sales Agreement may be terminated if:

- (i) a three-month prior written notice to terminate the New Powertrain Sales Agreement is served by any party;
- (ii) any party ceases business, or is ordered to close down by the court or the relevant authorities in the relevant jurisdictions as resulted from material violation of the laws or regulations, declares bankrupt, is unable to perform its obligations under the New Powertrain Sales Agreement due to force majeure; or
- (iii) Geely Holding, LYNK & CO or any of their respective associates cease to be connected persons of the Company.

Historical transactions amounts and proposed annual caps

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2019 and the eight months ended 31 August 2020; and (ii) the annual caps for the sale of vehicle engines, transmissions and related after-sales parts by the Group to the Geely Holding Group and the LYNK & CO Group pursuant to the 2017 Powertrain Sales Agreement for the three years ending 31 December 2020.

	Historical transaction amounts		Historical transaction amount for the eight months ended	Approved annual caps for the year ended/ending 31 December		
	2018	2019	31 August 2020	2018	2019	2020
	<i>RMB million</i> (Audited)	<i>RMB million</i> (Audited)	<i>RMB million</i> (Unaudited)	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Sale of vehicle engines, transmissions and related after-sales parts	1,248.1	2,035.2	1,778.4	9,179.8	14,556.5	15,661.1
Utilisation rate of annual caps				13.6%	14.0%	11.4% (Note)

Note: Utilisation rate of the annual cap for the year ending 31 December 2020 was calculated by dividing the historical transaction amount for the eight months ended 31 August 2020 by the approved annual cap for the full financial year ending 31 December 2020.

The low utilization rates of the annual cap for the two years ended 31 December 2019 were primarily due to (i) the decline in demand of vehicle engines, transmissions and related after-sales parts from the Geely Holding Group and the LYNK & CO Group as a result of the decline in demand for Geely Holding-Owned Brands Vehicles and LYNK & CO-branded vehicles during the same period caused by the economic uncertainties and intense competition with other automobile brands in the market; and (ii) the lower-than-expected sales of vehicle engines, transmissions and related after-sales parts for the use in the Volvo-branded vehicles to the Geely Holding Group which imported more vehicle engines and transmissions during the period. The low utilization rate of the annual cap for the year ending 31 December 2020 is due to the further decline in the sales of vehicle engines, transmissions and related after-sales parts to the Geely Holding Group and the LYNK & CO Group as a result of the decrease in demand of overall China's vehicle market due to the outbreak of New Coronavirus.

The table below sets out the proposed Powertrain Sales Annual Caps for each of the three years ending 31 December 2023.

	Proposed annual caps for the year ending 31 December		
	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Sale of vehicle engines, transmissions and related after-sales parts	9,047.3	15,527.6	18,232.5

Basis of determination of the proposed annual caps

The Powertrain Sales Annual Caps were determined by the Directors with reference to (i) the estimated number of units of vehicle engines, transmissions and related after-sales parts for existing vehicle engine models to be sold by the Group to the LYNK & CO Group for its existing and new LYNK & CO-branded vehicles and the Geely Holding Group for (a) use in the commercial vehicles and the Volvo-branded vehicles of the Geely Holding Group; (b) the manufacturing of CKDs of Vision X6 and the new vehicle model under the Geely brand; and (c) its onward sales of the vehicle engines, transmissions and related after-sales parts to the Proton Group based on the respective demand for such vehicle engines, transmissions and related after-sales parts for the three years ending 31 December 2023, which in turn were determined based on the projected production units of the respective vehicles of the LYNK & CO Group and the Geely Holding Group that will be equipped with the vehicle engines, transmissions and related after-sales parts manufactured by the Group for the same period; (ii) the estimated actual costs of manufacturing the vehicles engines, transmissions and related after-sales parts (including but not limited to labour costs, material costs and overhead costs) and the related taxes for the three years ending 31 December 2023; and (iii) the margin rate of 6% over such projected manufacturing costs with reference to the Powertrain Pricing Analysis Report.

The increase in the Powertrain Sales Annual Caps for each of the two years ending 31 December 2023 is primarily due to the (i) expected increase in the demand of vehicle engines, transmissions and related after-sales parts for the use in the LYNK & CO-branded vehicles due to the introduction of new models in 2022; (ii) expected increase in demand for vehicle engines, transmissions and related after-sales parts to be sold to the Geely Holding Group for the manufacturing of CKDs of the new vehicle model under the Geely brand which is expected to launch in 2021; and (iii) expected increase in the demand of vehicle engines, transmissions and related after-sales parts to be sold to the Geely Holding Group for its commercial vehicles and Volvo-branded vehicles.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the proposed Powertrain Sales Annual Caps for the three years ending 31 December 2023 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE NEW POWERTRAIN SALES AGREEMENT

The vehicle engines and transmissions manufactured by the Group will mainly be sold to the LYNK & CO Group for the use in the LYNK & CO-branded vehicles and the Geely Holding Group for (i) use in the commercial vehicles and the Volvo-branded vehicles of the Geely Holding Group; (ii) the manufacturing of CKDs of Vision X6 and the new vehicle model under the Geely brand; and (iii) its onward sales of the vehicle engines, transmissions and related after-sales parts to the Proton Group. The vehicle engines and transmissions sold under the New Powertrain Sales Agreement meet the needs of the LYNK & CO Group and the Geely Holding Group for the manufacturing of high performance and multi-functional vehicles. As the development of the vehicle engines and transmissions manufactured by the Group improves, the Group expands to supply the vehicle engines, transmissions and related after-sales parts to the Geely Holding Group for the use in the commercial vehicle models of the Geely Holding Group. The sale of vehicle engines, transmissions and related after-sales part by the Group to the Geely Holding Group and LYNK & CO Group pursuant to the New Powertrain Sales Agreement will also generate additional revenue stream for the Group.

RELEVANT INTERNAL CONTROL MEASURES

For the sale of vehicle engines, transmissions and related after-sales parts by the Group to the Geely Holding Group and the LYNK & CO Group, the Group will monitor the manufacturing costs as well as the applicable PRC taxes to ensure that the selling price of the vehicle engines, transmissions and related after-sales parts are determined correctly. The Company, Geely Holding and LYNK & CO will negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions. The margin rate will be determined by the Company, Geely Holding and LYNK & CO after arm's length negotiation with reference to a pricing analysis report prepared by an independent certified public accountant or institution with the same qualification. The Company, LYNK & CO and Geely Holding will review the scope of the vehicle engines, transmissions and related after-sales parts to be sold by the Group to the LYNK & CO Group and the Geely Holding Group on yearly basis (or more frequently if it is determined necessary) to determine whether updated pricing analysis report should be obtained for the determination of the margin rate. The margin rate will be determined with reference to the median three-year weighted average cost-plus-margins of the comparable companies as stated in such updated pricing analysis report.

(D) Automobile Financing Arrangements

To capture the growth of the auto finance industry, Genius AFC (i) proposed to continue the LYNK & CO Finance Cooperation Agreement with LYNK & CO Sales; (ii) entered into the Fengsheng Finance Cooperation Agreement with Fengsheng Sales; and (iii) entered into the Geely Holding Finance Cooperation Agreement with Geely Holding on 4 November 2020 respectively.

(i) ***LYNK & CO Financing Arrangements – The LYNK & CO Finance Cooperation Agreement***

Reference is made to the Company's announcement dated 3 November 2017 regarding the LYNK & CO Finance Cooperation Agreement pursuant to which Genius AFC agreed to provide vehicle financing services to the LYNK & CO Dealers and the LYNK & CO Retail Customers until the end of 2020. The LYNK & CO Finance Cooperation Agreement has an initial term of three years and will then continue unless and until terminated by either party by giving at least 6 months prior written notice, subject to the approvals from the regulators of the Company and the Independent Shareholders.

The principal terms of the LYNK & CO Finance Cooperation Agreement are set out below:

Date:

3 November 2017

Parties

- (i) Genius AFC; and
- (ii) LYNK & CO Sales

Genius AFC is a vehicle financing company established in the PRC, and is beneficially owned as to 80% and 20% by the Company and BNPP PF, respectively as at the date of this announcement. Genius AFC is principally engaged in the provision of vehicles financing services in the PRC. The exercise of call option by BNPP PF to acquire additional equity interest in Genius AFC with reference to the announcement of the Company dated 12 August 2020 has not yet been completed as at the date of this announcement.

As at the date of this announcement, LYNK & CO Sales is a wholly owned subsidiary of LYNK & CO, which is a joint venture of the Company established and owned as to 50%, 20% and 30% by Zhejiang Jirun, Zhejiang Haoqing and VCI, respectively. Zhejiang Haoqing and VCI are owned as to 100% and 97.8% by Geely Holding, which in turn is beneficially wholly owned by Mr. Li and his associate. As such, LYNK & CO Sales is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

LYNK & CO Sales is a private limited liability company incorporated in the PRC and is principally engaged in the sales and marketing of LYNK & CO-branded vehicles and provision of after-sale services.

Subject matter

Under the LYNK & CO Finance Cooperation Agreement, Genius AFC will provide vehicle financing services to the LYNK & CO Dealers and the LYNK & CO Retail Customers, including (i) wholesale financing to the LYNK & CO Dealers to assist them to buy LYNK & CO-branded vehicles and eventually selling such vehicles to the LYNK & CO Retail Customers; and (ii) retail financing to the LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles from the LYNK & CO Dealers.

Term

The LYNK & CO Finance Cooperation Agreement shall have an initial term of three years and shall then continue unless and until terminated by either party by giving at least 6 months prior written notice. Such continuation/renewal shall be pre-approved by (i) the regulators of the Company (i.e. the Stock Exchange); and (ii) the Independent Shareholders.

Termination

LYNK & CO Sales may terminate the LYNK & CO Finance Cooperation Agreement at any time if (i) Genius AFC becomes insolvent; or (ii) Genius AFC materially breaches, or materially fails to comply with, the LYNK & CO Finance Cooperation Agreement and such failure is not capable of remedy or is capable of remedy but is not remedied within 30 days of LYNK & CO Sales giving Genius AFC written notice of such breach subject to the remediation clause under the LYNK & CO Finance Cooperation Agreement.

Genius AFC may terminate the LYNK & CO Finance Cooperation Agreement at any time if (i) LYNK & CO Sales becomes insolvent; or (ii) LYNK & CO Sales materially breaches, or materially fails to comply with, the LYNK & CO Finance Cooperation Agreement or any other agreement entered into or in connection with the LYNK & CO Finance Cooperation Agreement and such failure is not capable of remedy or is capable of remedy but is not remedied within 30 days of Genius AFC giving LYNK & CO Sales written notice of such breach subject to the remediation clause under the LYNK & CO Finance Cooperation Agreement.

Conditions precedent

The LYNK & CO Finance Cooperation Agreement shall take effect upon:

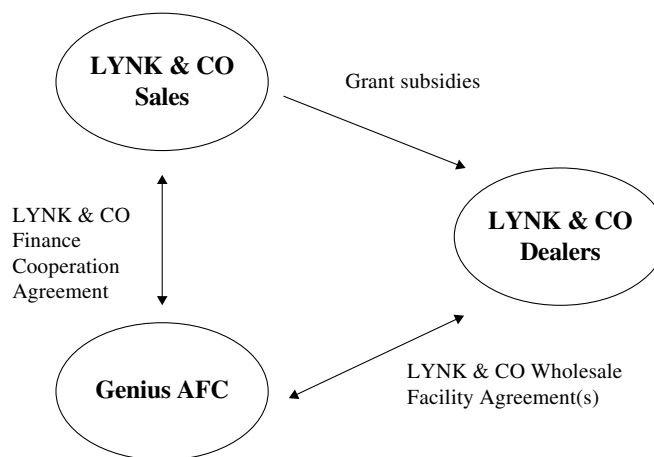
- (i) the approval of the Independent Shareholders on the LYNK & CO Financing Arrangements; and
- (ii) the approval of the Stock Exchange on the LYNK & CO Financing Arrangements, if required.

Principal terms regarding the mode of cooperation between Genius AFC and LYNK & CO Sales

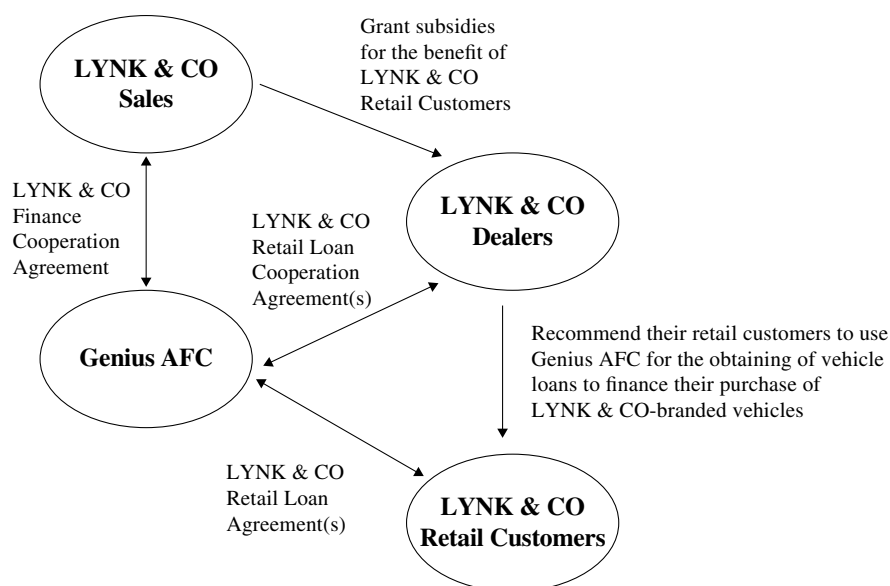
(i) Cooperation

LYNK & CO Sales shall (a) use its reasonable endeavours to procure the LYNK & CO Dealers to use the LYNK & CO Wholesale Financing and to recommend their retail customers to use the LYNK & CO Retail Financing provided by Genius AFC; (b) for a LYNK & CO Dealer who is covered by the LYNK & CO Wholesale Financing, use its reasonable endeavours to grant subsidies to the benefit of such LYNK & CO Dealer in order to promote the LYNK & CO Wholesale Financing Business; and (c) for a LYNK & CO Dealer who is covered by the LYNK & CO Retail Financing, use its reasonable endeavours to grant subsidies for the promotional campaigns in relation to the LYNK & CO Retail Financing offered by Genius AFC to the LYNK & CO Retail Customers from such LYNK & CO Dealer, provided that the final choice of financial partner shall always be made by the LYNK & CO Dealers or the LYNK & CO Retail Customers. Genius AFC shall not be the exclusive provider of vehicle loans and other services particularly described in the LYNK & CO Finance Cooperation Agreement in the PRC to the LYNK & CO Dealers or the LYNK & CO Retail Customers, and other providers are and will also be appointed by LYNK & CO Sales to provide similar services. Notwithstanding the foregoing, should another independent vehicle financing company offer financing services under the same conditions, Genius AFC shall be the preferred partner of LYNK & CO Sales (i.e. Genius AFC shall be firstly recommended by LYNK & CO Sales to LYNK & CO Dealers for the LYNK & CO Wholesale Financing and LYNK & CO Retail Financing than other independent vehicle financing companies). The LYNK & CO Wholesale Financing and LYNK & CO Retail Financing are summarized in the flow charts as below:

(1) LYNK & CO Wholesale Financing



(2) *LYNK & CO Retail Financing*



(ii) *Pricing policy*

Given Genius AFC is not the exclusive provider of financing services to the LYNK & CO Dealers or the LYNK & CO Retail Customers, the fierce competition in the PRC auto finance market and that the Independent LYNK & CO Dealers and the LYNK & CO Retail Customers are independent third parties to Genius AFC, Genius AFC's sales and marketing department will communicate with the LYNK & CO Dealers on an ongoing basis (including obtaining feedbacks from LYNK & CO Dealers on the range of lending rates and other major terms offered by other vehicle financing companies) to ensure that the terms of the LYNK & CO Wholesale Facility Agreement and the LYNK & CO Retail Loan Agreement are competitive at all times during the term of the LYNK & CO Finance Cooperation Agreement, and such terms shall be in line with general auto finance market practice. All loan and product pricing proposals are also prepared in accordance with the internal control procedures as disclosed in the paragraph headed "Internal Control Measures in relation to the Automobile Financing Arrangements – Internal Control within Genius AFC". Genius AFC shall have the sole discretion in determining the final pricing of the services to be applied to the LYNK & CO Dealers and the LYNK & CO Retail Customers. The final pricing of the services will be determined by Genius AFC after taking into consideration various factors, including its cost of funds, the borrower's risk profile, which will be assessed by Genius AFC in accordance with the section headed "(iii) Lending Risk" below, as well as the lending rates offered by the competitors.

The interest rates, at the time of each setting, for the loans to be provided by Genius AFC to the LYNK & CO Dealers and the LYNK & CO Retail Customers shall be higher than the base lending rates published by the PBOC for similar types of loans under similar terms and conditions, provided that all relevant laws and regulations are complied with.

(iii) Lending risk

Genius AFC is primarily regulated by the CBIRC. In addition, PBOC, the Ministry of Finance of the PRC also have regulatory oversight of the automotive financing industry. CBIRC and PBOC enacted the Measures for the Administration of Automotive Loans and the Measures for the Administration of Automobile Finance Companies, respectively to standardize the management of automotive loan business.

All lending risk assessments and decisions shall be the sole responsibility of Genius AFC, and such decisions shall conform to applicable regulatory requirements. The extension of financing in any form to any LYNK & CO Dealer or any LYNK & CO Retail Customer is subject to satisfactory credit risk assessment in accordance with the Genius AFC's credit risk management procedures (one example would be assessing the debt-to-asset ratio of LYNK & CO Dealer) and the internal risk and management policies for the retail and wholesale financing businesses which were prepared by the risk control and operation departments and approved by the board of Genius AFC, as from time to time determined by Genius AFC at its sole discretion.

In relation to the credit risk assessment procedures for the LYNK & CO Wholesale Financing Business, the risk control department of Genius AFC will review the credit applications with supporting materials submitted by the LYNK & CO Dealers and will prepare proposals for the granting of credit lines. The risk control committee of Genius AFC will appraise and decide on the granting of credit lines.

The credit application shall be subject to Genius AFC board's approval for granting of credit lines exceeding the internal threshold set by Genius AFC. In addition to the aforesaid assessment on the debt-to-asset ratios of the LYNK & CO Dealers, other factors will also be taken into the consideration including, but not limited to, company background, its experience in the automobile industry as well as the brand (for instance, a LYNK & CO Dealer which has sufficient experience in the auto-trading business and is familiar with the LYNK & CO brand is more likely to achieve better operating results), capital structure (such as the capitalization of the LYNK & CO Dealers, and whether the LYNK & CO Dealers' capital structure has already shown signs of high financial leverage (which is an indication of potential credit risks)), profitability and financial performance (for example, a good track record of profitability is an indication of enhanced liquidity and hence relatively lower credit risks) of the LYNK & CO Dealers. The LYNK & CO Dealers who have been granted with credit lines are required to submit to Genius AFC their financial

reports monthly and audited accounts (if any) annually which will both be reviewed and assessed by the risk control department of Genius AFC. Based on the said assessment results, Genius AFC will consider to adjust the credit line granted if there is any substantial change in the financial and operating performance of such LYNK & CO Dealers.

In relation to the credit risk assessment procedures for the LYNK & CO Retail Financing Business, Genius AFC has utilized a computerized internal risk assessment expert system, which enables Genius AFC to perform credit risk assessment procedures using big data analysis. For the purpose of risk assessment, the risk control department of Genius AFC will set specifications for the retail products to determine whether to accept the loan application from the retail applicants, based on the retail applicant's earnings, credit history and repayment capability. Sound credit history and proof of recurring income of a retail applicant are normally indications of enhanced repayment capability. The risk control committee of Genius AFC will then review and approve the specifications rules for the retail products. Based on the evaluation by the computerized internal risk assessment expert system which is configured and modified by the risk control department from time to time, the decisions on whether to grant the loans to the retail applicants would be made by the system and the retail underwriting team of the operation department of Genius AFC (the "**Underwriting Team**"). The general responsibilities of the Underwriting Team also include verifying the information and materials provided by the retail applicants and assessing the retail applicants' credibility in order to make final credit decisions on the applications. Upon granting of the vehicle loan to a retail borrower, the collection team of the operation department of Genius AFC would monitor the performance of such loan and would follow up on any delinquency and/or default in payment.

(iv) *Term of the loan and credit limit*

The maximum term of a loan to a LYNK & CO Dealer shall be 360 days. The maximum term of a loan to a LYNK & CO Retail Customer shall be 60 months.

(v) *Subsidies*

Genius AFC shall provide financing to all LYNK & CO Dealers according to the sales objectives and regional coverage agreed with LYNK & CO Sales. LYNK & CO Sales may from time to time offer LYNK & CO Dealers support with their vehicle financing and stocking costs and may choose to pay the interest accruing under the relevant LYNK & CO Wholesale Facility Agreement on behalf of the LYNK & CO Dealers for an agreed period of time. In practice, LYNK & CO Sales will provide subsidies to the LYNK & CO Dealers who enter into the LYNK & CO Wholesale Facility Agreements with Genius AFC for the LYNK & CO Wholesale Financing and the LYNK & CO Dealers who enter into the LYNK & CO Retail

Loan Cooperation Agreements with Genius AFC for the benefits of the retail borrowers in the LYNK & CO Retail Financing, subject to the final assessment of the market situation (e.g. sales performance of the LYNK & CO-branded vehicles) by LYNK & CO Sales. The terms and period of such subsidies shall be determined by LYNK & CO Sales in its quarterly sales incentive policy.

(vi) Security

Under the LYNK & CO Wholesale Facility Agreement and the LYNK & CO Retail Loan Agreement, acceptable securities may include security deposits, security over the LYNK & CO Dealers' or LYNK & CO Retail Customers' vehicles and/or other types of guarantees.

Principal terms to be applied to the LYNK & CO Wholesale Facility Agreements and the LYNK & CO Retail Loan Agreements

(i) LYNK & CO Wholesale Facility Agreements

After commencement of the LYNK & CO Wholesale Financing Business, Genius AFC will enter into individual LYNK & CO Wholesale Facility Agreements with the LYNK & CO Dealers, pursuant to which Genius AFC will provide LYNK & CO Wholesale Financing to such LYNK & CO Dealers to facilitate their purchase of LYNK & CO-branded vehicles. The terms of the LYNK & CO Wholesale Facility Agreements (including, among others, pricing policy, loan term, credit limits, etc.) that Genius AFC will enter into with such LYNK & CO Dealers are expected to be consistent with the terms of the LYNK & CO Finance Cooperation Agreement as disclosed above.

(ii) LYNK & CO Retail Loan Agreements

Genius AFC will enter into the LYNK & CO Retail Loan Cooperation Agreements with the LYNK & CO Dealers. Pursuant to the LYNK & CO Retail Loan Cooperation Agreements to be entered into between Genius AFC and the LYNK & CO Dealers, the LYNK & CO Dealers shall recommend their retail customers (i.e. the LYNK & CO Retail Customers) to use Genius AFC for the obtaining of vehicle loans to finance their purchase of LYNK & CO-branded vehicles.

For the LYNK & CO Retail Financing, during the term of the LYNK & CO Finance Cooperation Agreement, Genius AFC would further enter into the LYNK & CO Retail Loan Agreements with the LYNK & CO Retail Customers, pursuant to which Genius AFC will provide vehicle financing to such LYNK & CO Retail Customers to facilitate their purchase of LYNK & CO-branded vehicles. The terms of the

LYNK & CO Retail Loan Agreements (including, among other things, pricing, loan term, credit limits, etc.) are consistent with the terms of the LYNK & CO Finance Cooperation Agreement as disclosed above.

Annual Caps under the LYNK & CO Finance Cooperation Agreement

LYNK & CO Wholesale Annual Caps

The table below sets out (i) the historical transaction amounts of vehicle financing services provided by Genius AFC to the LYNK & CO Dealers which included only Independent LYNK & CO Dealers for each of the two years ended 31 December 2019 and the eight months ended 31 August 2020; and (ii) the approved annual caps for the LYNK & CO Wholesale Financing for each of the three years ending 31 December 2020 and their respective utilisation rates.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the eight months ended 31 August 2020	Approved annual caps for the year ended/ending 31 December		
	2018	2019	2020	2018	2019	2020
	RMB million (Audited)	RMB million (Audited)	RMB million (Unaudited)	RMB million	RMB million	RMB million
New financing amounts provided by Genius AFC to the LYNK & CO Dealers under the LYNK & CO Wholesale Financing	-	20.9	34.2	13,215.0	24,450.0	24,191.0
Utilisation rate of annual caps				0%	0.1%	0.1%

Note: Utilisation rate of the annual cap for the year ending 31 December 2020 was calculated by dividing the historical transaction amount for the eight months ended 31 August 2020 by the approved annual cap for the full financial year ending 31 December 2020.

The historical amounts only include vehicle financing services provided by the Genius AFC to the Independent LYNK & CO Dealers as the Connected LYNK & CO Dealers, which were only set up in 2020, had not entered into any LYNK & CO Wholesale Facility Agreement with Genius AFC. The low utilisation rates of the annual caps for the two years ended 31 December 2019 and the eight months ended 31 August 2020 were

primarily due to (i) the LYNK & CO-branded vehicles were only launched in the second half of 2017 and were still in early promotion and marketing stage during the year of 2018 and 2019; (ii) Genius AFC only started the LYNK & CO Wholesale Financing at the end of the third quarter of 2019 as it took longer-than-expected to develop the business and network with the LYNK & CO Dealers; (iii) decrease in demand of vehicles caused by the outbreak of the New Coronavirus in 2020 which led to lower demand for LYNK & CO Wholesale Financing; and (iv) the lower-than-expected wholesale finance coverage as a result of intense competition from other financial institutions for automobile wholesale financing services. As a result, the penetration of the LYNK & CO Wholesale Financing by Genius AFC was lower than originally expected. In this regard, Genius AFC has revised the annual caps of LYNK & CO Wholesale Financing downward for the three years ending 31 December 2023.

The table below sets out the proposed LYNK & CO Wholesale Annual Caps for each of the three years ending 31 December 2023.

	Proposed annual caps		
	for the year ending 31 December		
	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC to the LYNK & CO Dealers under the LYNK & CO Wholesale Financing	450.0	675.0	1,125.0

Basis of determination of the LYNK & CO Wholesale Annual Caps

For determining the proposed LYNK & CO Wholesale Annual Caps, Genius AFC has taken into account (i) the projected units of LYNK & CO-branded vehicles to be purchased by the LYNK & CO Dealers for each of the three years ending 31 December 2023, which was determined by the LYNK & CO Group with reference to the sales volume projection of the LYNK & CO-branded vehicles after taking into account the expected increase in demand of the existing LYNK & CO-branded vehicles following the gradual recovery from the New Coronavirus and the introduction of the new LYNK & CO-branded vehicles; (ii) the expected average selling price of the LYNK & CO-branded vehicles to the LYNK & CO Dealers which was determined with reference to the historical average selling price of the LYNK & CO-branded vehicles for the eight months ended 31 August 2020 and the expected increase in the selling price for the new LYNK & CO-branded vehicles for each of the three years ending 31 December 2023; and (iii) the estimated wholesale finance coverage by Genius AFC's LYNK & CO Wholesale Financing Business of 1.2%, 1.5% and 2.0% for each of the years ending 31 December 2021, 2022 and 2023 respectively with reference to the historical average LYNK & CO

wholesale finance coverage of 0.3% for the eight months ended 31 August 2020 and the expected increase in wholesale finance penetration following the accumulation of experience and business network of Genius AFC and the introduction of the Connected LYNK & CO Dealers in the LYNK & CO Wholesale Financing Business. The estimated wholesale finance coverage of LYNK & CO Wholesale Financing is lower than the wholesale finance penetration of the PRC automotive industry (including both first-hand and second-hand vehicles) of 16.3% in 2019 in view of a more prudent estimation being adopted based on the relatively low historical wholesale finance coverage of LYNK & CO Wholesale Financing.

The increase in the proposed LYNK & CO Wholesale Annual Caps for the three years ending 31 December 2023 is primarily due to the expected increase in the purchase of LYNK & CO-branded vehicles by the LYNK & CO Dealers due to the increase in demand of the existing and new LYNK & CO-branded vehicles from the retail customers and the gradual increase in the estimated wholesale finance coverage.

LYNK & CO Retail Annual Caps

The table below sets out (i) the historical transaction amounts for each of the two years ended 31 December 2019 and the eight months ended 31 August 2020; and (ii) the annual caps for the LYNK & CO Retail Financing for each of the three years ending 31 December 2020 and their respective utilisation rates.

	Historical transaction amounts			Approved annual caps		
	for the year ended		Historical transaction amount for the eight months ended	for the year ended/ending 31 December		
	31 December	31 December	31 August	2018	2019	2020
	2018	2019	2020	2018	2019	2020
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(Audited)	(Audited)	(Unaudited)			
New financing amounts provided by Genius AFC to the LYNK & CO Retail Customers under the LYNK & CO Retail Financing	1,397.6	4,811.4	2,830.2	9,544.0	20,601.0	23,295.0
Utilisation rate of annual caps				14.6%	23.4%	12.1% (Note)

Note: Utilisation rate of the annual cap for the year ending 31 December 2020 was calculated by dividing the historical transaction amount for the eight months ended 31 August 2020 by the approved annual cap for the full financial year ending 31 December 2020.

The historical amounts only include vehicle financing services provided by the Genius AFC to the LYNK & CO Retail Customers who will purchase LYNK & CO-branded vehicles from the Independent LYNK & CO Dealers as the Connected LYNK & CO Dealers, which were only set up 2020, had not entered into any LYNK & CO Retail Loan Cooperation Agreement with Genius AFC. The low utilisation rates of the annual caps for the two years ended 31 December 2019 and the eight months ended 31 August 2020 were mainly due to the lower-than-expected demand of LYNK & CO-branded vehicles in China throughout the year of 2018 and 2019 as a result of the intense competition with other automobile brands in the market and the outbreak of the New Coronavirus in 2020 which led to lower demand for LYNK & CO-branded vehicles.

The table below sets out the proposed LYNK & CO Retail Annual Caps for each of the three years ending 31 December 2023.

	Proposed annual caps		
	for the year ending 31 December		
	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC to the LYNK & CO Retail Customers under the LYNK & CO Retail Financing	10,153.9	13,303.5	17,149.7

Basis of determination of the LYNK & CO Retail Annual Caps

When determining the proposed LYNK & CO Retail Annual Caps, Genius AFC has taken into account (i) the projected unit sales of LYNK & CO-branded vehicles to the LYNK & CO Retail Customers for each of the three years ending 31 December 2023 by the Connected LYNK & CO Dealers and Independent LYNK & CO Dealers; (ii) the projected average retail selling price of LYNK & CO -branded vehicles for each of the three years ending 31 December 2023, which was determined with reference to the historical average retail selling price of the LYNK & CO-branded vehicles for the eight months ended 31 August 2020 and the expected increase in the retail selling price for the new LYNK & CO-branded vehicles for each of the three years ending 31 December 2023; and (iii) the estimated retail financing penetration of the LYNK & CO Retail Financing of 46%, 48% and 50%, respectively for each of the three years ending 31 December 2023. The above retail financing penetration represents the estimated percentage of the LYNK & CO Retail Customers' purchases which will be financed by loans provided by Genius AFC.

When determining the said retail financing penetration rate of the LYNK & CO Retail Financing, Genius AFC has made reference to the historical average retail financing penetration of 44.0% and 42.5% for the year ended 31 December 2019 and the eight months ended 31 August 2020 respectively and the expectation that more LYNK & CO Retail Customers will choose to use LYNK & CO Retail Financing in light of the increased level of promotional activities, incentives and training to be undertaken by Genius AFC and LYNK & CO Sales to increase penetration rate.

The Directors expect the estimated retail financing penetration of LYNK & CO Retail Financing for Independent LYNK & CO Dealers and Connected LYNK & CO Dealers to be increased by 2% annually for the two years ending 31 December 2023 to be consistent with the increasing trend of the retail financing penetration of the auto financing industry (including both first-hand and second-hand vehicles) in the PRC which grew by 1.7% and 4.2% for the years ended 31 December 2018 and 31 December 2019, respectively. The Directors also believe that the onward promotion from the LYNK & CO Dealers in the coming years will further increase the retail financing penetration of LYNK & CO Retail Financing as well.

(ii) *Fengsheng Financing Arrangements – Fengsheng Finance Cooperation Agreement*

On 4 November 2020 (after trading hours), Genius AFC and Fengsheng Sales entered into the Fengsheng Finance Cooperation Agreement pursuant to which Genius AFC will provide vehicle financing services to the Fengsheng Retail Customers for their purchase of Maple-Branded Vehicles from the Fengsheng Dealers. Details of the Fengsheng Finance Cooperation Agreement are set out below:

Date

4 November 2020 (after trading hours)

Parties

Genius AFC and Fengsheng Sales

Please refer to the paragraph headed (D) Automobile Financing Arrangements (i) LYNK & CO Financing Arrangements – LYNK & CO Finance Cooperation Agreement – Parties” for further details regarding Genius AFC.

As at the date of this announcement, Fengsheng Sales is ultimately wholly owned by Fengsheng. Fengsheng is owned as to 78% by Geely Technology and 22% by Kandi Vehicles while Geely Technology is beneficially wholly owned by Mr. Li and his associate. Fengsheng Sales is principally engaged in the sale of Maple-Branded Vehicles and the wholesale and retail businesses of related parts and components.

Subject matter

The Fengsheng Finance Cooperation Agreement sets out the terms under which Genius AFC will provide vehicle financing services to the Fengsheng Retail Customers to assist them to buy Maple-Branded Vehicles from the Fengsheng Dealers.

Term

The Fengsheng Finance Cooperation Agreement will have an initial term of three years and will then continue unless and until terminated by either party by giving at least six months prior written notice. Such continuation/renewal will be subject to the approval of (i) the regulators of the Company (that is, the Stock Exchange), if required; and (ii) the Independent Shareholders.

Conditions precedent to the Fengsheng Finance Cooperation Agreement

The Fengsheng Finance Cooperation Agreement shall take effect upon:

- (i) the approval of the Independent Shareholders on the Fengsheng Financing Arrangements; and
- (ii) the approval of the Stock Exchange on the Fengsheng Financing Arrangements, if required.

Termination

Fengsheng Sales may terminate the Fengsheng Finance Cooperation Agreement with immediate effect if (i) Genius AFC becomes insolvent; or (ii) Genius AFC materially breaches, or materially fails to comply with, the Fengsheng Finance Cooperation Agreement and such failure is not capable of remedy or is capable of remedy but is not remedied within 30 days of Fengsheng Sales giving Genius AFC written notice of such breach subject to the remediation clause under the Fengsheng Finance Cooperation Agreement.

Genius AFC may terminate the Fengsheng Finance Cooperation Agreement with immediate effect if (i) Fengsheng Sales becomes insolvent; or (ii) Fengsheng Sales materially breaches, or materially fails to comply with, the Fengsheng Finance Cooperation Agreement or any other agreement entered into or in connection with the Fengsheng Finance Cooperation Agreement and such failure is not capable of remedy or is capable of remedy but is not remedied within 30 days of Genius AFC giving Fengsheng Sales written notice of such breach subject to the remediation clause under the Fengsheng Finance Cooperation Agreement.

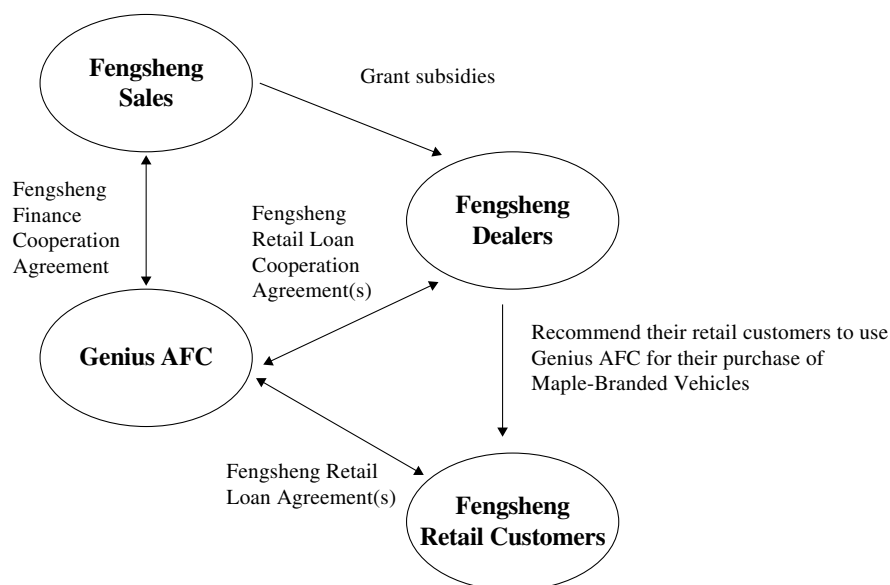
Principal terms regarding the mode of cooperation between Genius AFC and Fengsheng Sales

(i) Cooperation

Fengsheng Sales will (a) use its reasonable endeavours to procure the Fengsheng Dealers to recommend their retail customers to use the retail financing services provided by Genius AFC; and (b) use its reasonable endeavours to grant subsidies to the Fengsheng Dealers who are covered by the Fengsheng Retail Financing Business for the promotional campaigns in relation to the retail financing services offered by Genius AFC to the Fengsheng Retail Customers from such Fengsheng Dealers, provided that the final choice of financial partner will always be made by the Fengsheng Retail Customers.

Genius AFC will not be the exclusive provider of vehicle loans as described in the Fengsheng Finance Cooperation Agreement to the Fengsheng Retail Customers. Notwithstanding the foregoing, should another independent vehicle financing company offer vehicle financing services under the same conditions, Genius AFC will be the preferred partner of Fengsheng Sales for the provision of vehicle financing services.

The mode of cooperation between Genius AFC and Fengsheng Sales for the Fengsheng Retail Financing Business are summarized as below:



(ii) Pricing policy

Genius AFC will enter into the Fengsheng Retail Loan Agreements with the Fengsheng Retail Customers for the Fengsheng Retail Financing Business. Genius AFC will ensure that the terms of the Fengsheng Retail Loan Agreements are

competitive at all times during the term of the Fengsheng Finance Cooperation Agreement, and such terms will be in line with general auto finance market practice. Notwithstanding the foregoing, Genius AFC will have the sole discretion in determining the final pricing to be applied to the Fengsheng Retail Customers.

The Fengsheng Finance Cooperation Agreement provides guidance with respect to the interest rates charged by Genius AFC for the Fengsheng Retail Financing Business. The interest rates, at the time of each setting, for the loans provided by Genius AFC to the Fengsheng Retail Customers will be higher than the base lending rates published by the PBOC for similar types of loans under similar terms and conditions, provided that all relevant laws and regulations are complied with.

In practice, given that Genius AFC will not be the exclusive provider of financing services to the Fengsheng Retail Customers, which are independent third parties to Genius AFC, the sales and marketing department of Genius AFC will communicate with the Fengsheng Dealers on an ongoing basis to keep abreast of the market information.

(iii) Lending risk

Genius AFC is primarily regulated by the CBIRC. For details of the background of Genius AFC, please refer to the paragraph headed “(D) Automobile Financing Arrangements (i) LYNK & CO Financing Arrangements – The LYNK & CO Finance Cooperation Agreement – Principal terms regarding the mode of cooperation between Genius AFC and LYNK & CO Sales – (iii) Lending risk”.

All lending risk assessments and decisions will be the sole responsibility of Genius AFC, and such decisions will conform to applicable regulatory requirements. The extension of financing in any form to any Fengsheng Retail Customer is subject to satisfactory credit risk assessment in accordance with the Genius AFC’s credit risk management procedures and all other internal risk and management policies as from time to time determined by Genius AFC at its sole discretion.

For the Fengsheng Retail Financing Business, Genius AFC will adopt similar credit risk assessment and loan approval procedures as those for the LYNK & CO Retail Financing. Please refer to the paragraph headed “(D) Automobile Financing Arrangements (i) LYNK & CO Financing Arrangements – The LYNK & CO Finance Cooperation Agreement – Principal terms regarding the mode of cooperation between Genius AFC and LYNK & CO Sales – (iii) Lending risk” for further details.

(iv) Term of the loan and credit limit

The maximum term of a loan to a Fengsheng Retail Customer shall be 60 months.

(v) ***Subsidies***

Fengsheng Sales will provide subsidies to the Fengsheng Dealers who enter into the Fengsheng Retail Loan Cooperation Agreements with Genius AFC for the benefits of the retail borrowers in the Fengsheng Retail Financing Business, subject to the final assessment of the market situation (such as sales performance of the Maple-Branded Vehicles) by Fengsheng Sales. The terms and period of such subsidies will be determined by Fengsheng Sales in its quarterly sales incentive policies.

(vi) ***Security***

Under the Fengsheng Retail Loan Agreement, acceptable securities may include security over the Fengsheng Retail Customers' vehicles and/or different types of guarantees.

Principal terms to be applied to the Fengsheng Retail Loan Agreements

Genius AFC will enter into the Fengsheng Retail Loan Cooperation Agreements with the Fengsheng Dealers, pursuant to which the Fengsheng Dealers will recommend their retail customers (that is, the Fengsheng Retail Customers) to use Genius AFC for obtaining vehicle loans to finance their purchase of Maple-Branded Vehicles.

After the commencement of the Fengsheng Retail Financing Business, Genius AFC will further enter into the Fengsheng Retail Loan Agreements with the Fengsheng Retail Customers, pursuant to which Genius AFC will provide vehicle financing to such Fengsheng Retail Customers to facilitate their purchase of Maple-Branded Vehicles. The terms of the Fengsheng Retail Loan Agreements (including, among other things, pricing, loan term, credit limits, etc.) are expected to be consistent with the terms of the Fengsheng Finance Cooperation Agreement as disclosed above.

Fengsheng Financing Annual Caps

There were no historical transaction amounts for the Fengsheng Retail Financing Business as it is expected to commence in the first quarter of 2021. The table below sets out the proposed Fengsheng Financing Annual Caps for each of the three years ending 31 December 2023.

	Proposed annual caps for the year ending 31 December		
	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC to the Fengsheng Retail Customers under the Fengsheng Retail Financing Business	72.3	120.5	241.0

Basis of determination of the Fengsheng Financing Annual Caps

When determining the proposed Fengsheng Financing Annual Caps, Genius AFC has taken into account (i) the projected number of units of Maple-Branded Vehicles to be sold by the Independent Fengsheng Dealers to Fengsheng Retail Customers for the three years ending 31 December 2023; (ii) the projected average retail selling price for each unit of Maple-Branded Vehicles for the three years ending 31 December 2023; and (iii) the estimated retail financing penetration of the Fengsheng Retail Financing Business of 10% for each of the three years ending 31 December 2023. The above retail financing penetration represents the estimated percentage of the Fengsheng Retail Customers' purchases which will be financed by loans provided by Genius AFC. The low estimated retail financing penetration mentioned above is mainly due to: (i) the early stage of development of the Fengsheng Retail Financing Business which usually takes longer time to increase the retail financing penetration; and (ii) the relatively low price of Maple-Branded Vehicles which results in lower demand of vehicle loans.

(iii) Geely Holding Financing Arrangements – Geely Holding Finance Cooperation Agreement

On 4 November 2020, Genius AFC and Geely Holding entered into the Geely Holding Finance Cooperation Agreement pursuant to which Genius AFC will provide vehicle financing services to the Geely Retail Customers to assist them to purchase (a) Geely Holding-Owned Brands Vehicles from the Geely Holding Dealers; or (b) Geely-Branded Vehicles from the Connected Geely Dealers. Details of the Geely Holding Finance Cooperation Agreement is set out below:

Date

4 November 2020 (after trading hours)

Parties

Genius AFC and Geely Holding

Please refer to the paragraph headed “(D) Automobile Financing Arrangements (i) LYNK & CO Financing Arrangements – LYNK & CO Finance Cooperation Agreement – Parties” for further details regarding Genius AFC.

Please refer to the paragraph headed “(A) Master CKDs and Automobile Components Sales Agreement – Parties” for further details regarding Geely Holding.

Genius AFC can provide automobile financing and related services for the automobile manufacturers of various automobile brands under the Geely Holding Group, including but not limited to providing wholesale financing services and retail financing services to the authorised dealers of such automobile dealers and the retail customers who purchase vehicles from the aforementioned authorised dealers respectively.

Subject matter

Under the Geely Holding Finance Cooperation Agreement, Geely Holding will use its reasonable endeavours to procure the Geely Holding Dealers to recommend their retail customers to use the retail financing services provided by Genius AFC for the purchase of the Geely Holding-Owned Brands Vehicles. Genius AFC will enter into the individual finance cooperation agreement with the Geely Holding Automobile Entities pursuant to the Geely Holding Finance Cooperation Agreement. In addition, under the Geely Holding Finance Cooperation Agreement, Geely Holding shall procure the Connected Geely Dealers, which have been operated by the Geely Holding Group from 2020, to recommend their retail customers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of Geely-Branded Vehicles. After the commencement of the Geely Holding Retail Financing Business, Genius AFC will enter into individual Geely Holding Retail Loan Agreements and Geely Retail Loan Agreements with the Geely Retail Customers respectively.

For the avoidance of doubt, the provision of vehicle financing services by Genius AFC pursuant to the Volvo Finance Cooperation Agreements as approved by the independent shareholders of the Company with reference to the announcement on 15 March 2019 will not be covered by the Geely Holding Finance Cooperation Agreement.

Term

The Geely Holding Finance Cooperation Agreement will have an initial term of three years and will then continue unless and until terminated by either party by giving at least six months prior written notice. Such continuation/renewal will be subject to the approval of (i) the regulators of the Company (that is, the Stock Exchange), if required; and (ii) the Independent Shareholders.

Conditions precedent to the Geely Holding Finance Cooperation Agreement

The Geely Holding Finance Cooperation Agreement shall take effect upon:

- (i) the approval of the Independent Shareholders on the Geely Holding Financing Arrangements; and
- (ii) the approval of the Stock Exchange on the Geely Holding Financing Arrangements, if required.

Termination

Geely Holding may terminate the Geely Holding Finance Cooperation Agreement with immediate effect if (i) Genius AFC becomes insolvent; or (ii) Genius AFC materially breaches, or materially fails to comply with, the Geely Holding Finance Cooperation Agreement and such failure is not capable of remedy or is capable of remedy but is not remedied within 30 days of Geely Holding giving Genius AFC written notice of such breach subject to the remediation clause under the Geely Holding Finance Cooperation Agreement.

Genius AFC may terminate the Geely Holding Finance Cooperation Agreement with immediate effect if (i) Geely Holding becomes insolvent; or (ii) Geely Holding materially breaches, or materially fails to comply with, the Geely Holding Finance Cooperation Agreement or any other agreement entered into or in connection with the Geely Holding Finance Cooperation Agreement and such failure is not capable of remedy or is capable of remedy but is not remedied within 30 days of Genius AFC giving Geely Holding written notice of such breach subject to the remediation clause under the Geely Holding Finance Cooperation Agreement.

Principal terms regarding the mode of cooperation between Genius AFC and Geely Holding

Geely Holding will use its reasonable endeavours to procure the Geely Holding Dealers and the Connected Geely Dealers to recommend their retail customers to use the retail financing services provided by Genius AFC for the purchase of Geely Holding-Owned Brands Vehicles and Geely-Branded Vehicles, respectively. Genius AFC will provide

vehicles loans and related services to the Geely Retail Customers to finance their purchase of the Geely Holding-Owned Brands Vehicles or Geely-Branded Vehicles from the Geely Holding Dealers and the Connected Geely Dealers, respectively.

Cooperation among Genius AFC, Geely Holding Automobile Entities and Geely Holding Dealers

Pursuant to the Geely Holding Finance Cooperation Agreement, Genius AFC will enter into the individual finance cooperation agreements with the Geely Holding Automobile Entities in which the major terms of the individual finance cooperation agreements are set out in the appendix to the Geely Holding Finance Cooperation Agreement (the “**Finance Cooperation Agreement Template**”).

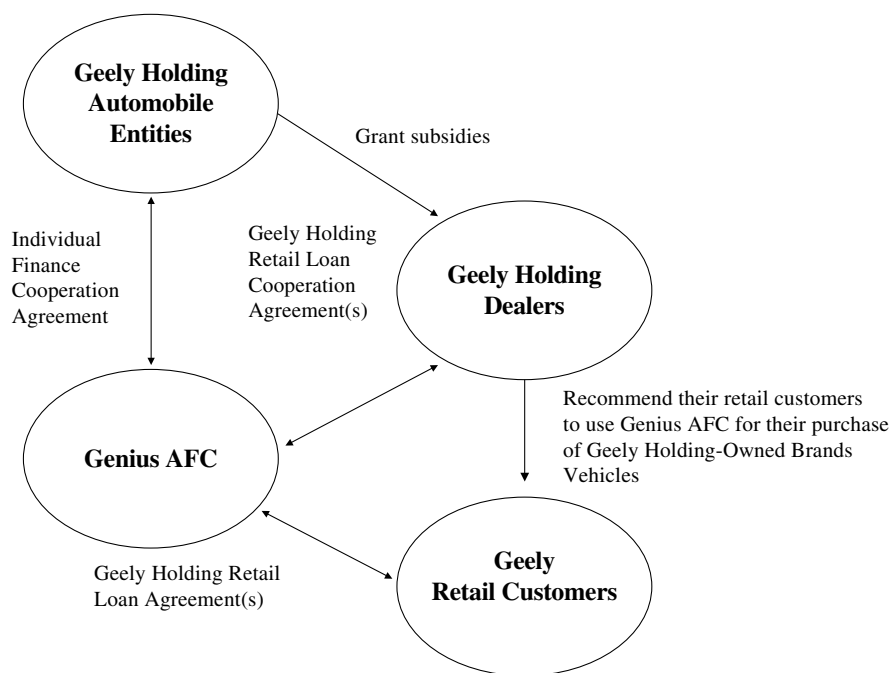
The details of principal terms of the Finance Cooperation Agreement Template are set out below:

(i) Cooperation

The Geely Holding Automobile Entities will (a) use its reasonable endeavours to procure the Geely Holding Dealers to recommend their retail customers to use the retail financing services provided by Genius AFC; and (b) use its reasonable endeavours to grant subsidies to the dealers who is covered by the Geely Holding Retail Financing Business for the promotional campaigns in relation to the retail financing services offered by Genius AFC to the retail customers from such dealers, provided that the final choice of financial partner will always be made by the Geely Retail Customers.

Genius AFC will not be the exclusive provider of vehicle loans as described in the Finance Cooperation Agreement Template to the Geely Retail Customers. Notwithstanding the foregoing, should another independent vehicle financing company offer vehicle financing services under the same conditions, Genius AFC will be the preferred partner of the Geely Holding Automobile Entities for the provision of vehicle financing services.

The mode of cooperation between Genius AFC and Geely Holding Automobile Entities for the Geely Holding Retail Financing Business are summarised as below:



Genius AFC will enter into the Geely Holding Retail Loan Cooperation Agreements with the Geely Holding Dealers, pursuant to which the Geely Holding Dealers will recommend the Geely Retail Customers to use Genius AFC for obtaining vehicle loans to finance their purchase of the Geely Holding-Owned Brands Vehicles.

(ii) Pricing policy

Genius AFC will enter into the Geely Holding Retail Loan Agreements with the Geely Retail Customers for the Geely Holding Retail Financing Business. Genius AFC will ensure that the terms of the Geely Holding Retail Loan Agreements are competitive at all times during the term as set out in the Finance Cooperation Agreement Template, and such terms will be in line with general auto finance market practice. Notwithstanding the foregoing, Genius AFC will have the sole discretion in determining the final pricing to be applied to the Geely Retail Customers.

The Finance Cooperation Agreement Template provides guidance with respect to the interest rates charged by Genius AFC for the provision of the retail financing services to the Geely Retail Customers. The interest rates, at the time of each setting, for the loans provided by Genius AFC to the Geely Retail Customers will be higher than the base lending rates published by the PBOC for similar types of loans under similar terms and conditions, provided that all relevant laws and regulations are complied with.

In practice, given that Genius AFC will not be the exclusive provider of financing services to the Geely Retail Customers, which are independent third parties to Genius AFC, the sales and marketing department of Genius AFC will communicate with the Geely Holding Dealers on an ongoing basis to keep abreast of the market information.

(iii) *Lending risk*

Genius AFC is primarily regulated by the CBIRC. For details of the background of Genius AFC, please refer to “(D) Automobile Financing Arrangements (i) LYNK & CO Financing Arrangements – The LYNK & CO Finance Cooperation Agreement – Principal terms regarding the mode of cooperation between Genius AFC and LYNK & CO Sales – (iii) Lending risk”.

All lending risk assessments and decisions will be the sole responsibility of Genius AFC, and such decisions will conform to applicable regulatory requirements. The extension of financing in any form to any retail customer is subject to satisfactory credit risk assessment in accordance with the Genius AFC’s credit risk management procedures and all other internal risk and management policies as from time to time determined by Genius AFC at its sole discretion.

For the Geely Holding Retail Financing Business, Genius AFC will adopt similar credit risk assessment and loan approval procedures as those for the LYNK & CO Retail Financing. please refer to the paragraph headed “(D) Automobile Financing Arrangements (i) LYNK & CO Financing Arrangements – The LYNK & CO Finance Cooperation Agreement – Principal terms regarding the mode of cooperation between Genius AFC and LYNK & CO Sales – (iii) Lending risk” for further details.

(iv) *Loan term and credit limit*

The maximum loan term for each retail customer will be 60 months.

(v) *Subsidies*

The Geely Holding Automobile Entities will provide subsidies to the Geely Holding Dealers who enter into the Geely Holding Retail Loan Cooperation Agreement with Genius AFC for the benefits of the retail borrowers in the Geely Holding Retail Financing Business, subject to the final assessment of the market situation (such as sales performance of the vehicles) by the Geely Holding Automobile Entities. The terms and period of such subsidies will be determined by the Geely Holding Automobile Entities in their quarterly sales incentive policies.

(vi) Security

Under the individual Geely Holding Retail Loan Agreement, acceptable securities may include security over the dealers' and the retail customers' vehicles and/or different types of guarantees.

Cooperation between Genius AFC and the Connected Geely Dealers

Pursuant to the Geely Holding Finance Cooperation Agreement, Geely Holding will use its reasonable endeavours to procure the Connected Geely Dealers to recommend their retail customers to use the retail financing services provided by Genius AFC for the purchase of Geely-Branded Vehicles. Genius AFC will enter into the Geely Retail Loan Cooperation Agreements with the Connected Geely Dealers, pursuant to which the Connected Geely Dealers will recommend the Geely Retail Customers to use Genius AFC for obtaining vehicle loans to finance their purchase of the Geely-Branded Vehicles. The terms and conditions of the retail loan cooperation agreement to be entered between Genius AFC and the Connected Geely Dealers are on normal commercial terms and on terms no less favourable to the Group than terms available to or from (as applicable) the Independent Geely Dealers to the Group.

Principal terms to be applied to the Geely Holding Retail Loan Agreements and the Geely Retail Loan Agreements

(i) Geely Holding Retail Loan Agreements

Pursuant to the Geely Holding Retail Loan Cooperation Agreements, Genius AFC will further enter into the Geely Holding Retail Loan Agreement with the Geely Retail Customers, pursuant to which Genius AFC will provide vehicle financing to such retail customers to facilitate their purchase of Geely Holding-Owned Brands Vehicles.

(ii) Geely Retail Loan Agreements

Pursuant to the Geely Retail Loan Cooperation Agreements, Genius AFC will further enter into the Geely Retail Loan Agreements with the Geely Retail Customers, pursuant to which Genius AFC will provide vehicle financing to such retail customers to facilitate their purchase of Geely-Branded Vehicles.

Geely Holding Financing Annual Caps

There were no historical transaction amounts for the Geely Holding Retail Financing Business as it is expected to only commence in the first quarter of 2021. The table below sets out the proposed Geely Holding Financing Annual Caps for each of the three years ending 31 December 2023.

	Proposed annual caps		
	for the year ending 31 December		
	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
New financing amounts to be provided by Genius AFC to the Geely Retail Customers under the Geely Holding Retail Financing Business	279.8	377.9	606.5

Basis of determination of the Geely Holding Financing Annual Caps

When determining the proposed Geely Holding Financing Annual Caps, Genius AFC has taken into account (i) the projected number of units of the Geely Holding-Owned Brands Vehicles (including Lotus-branded vehicles, Polestar-branded vehicles and commercial vehicles of the Geely Holding Group) to be sold by the Independent Geely Holding Dealers to the Geely Retail Customers for the three years ending 31 December 2023 as the Connected Geely Holding Dealers have not yet been set up; (ii) the estimated sales volume of the Geely-Branded Vehicles of the Connected Geely Dealers for the three years ending 31 December 2023; (iii) the projected average retail selling price of the Geely Holding-Owned Brands Vehicles and Geely-Branded Vehicles for each of the three years ending 31 December 2023; and (iv) the estimated retail financing penetration of Geely-Branded Vehicles of 34%, 38% and 42%, respectively for each of the three years ending 31 December 2023, and the estimated average retail financing penetration of Geely Holding-Owned Brands Vehicles of 15%, 16% and 16%, respectively for each of the three years ending 31 December 2023.

When determining the said retail financing penetration of the Geely-Branded Vehicles, Genius AFC has made reference to the historical average retail penetration of the Geely-Branded Vehicles sold by the Independent Geely Dealers which is 33% for the eight months ended 31 August 2020. Genius AFC expects the estimated retail financing penetration of Geely-Branded Vehicles to grow by 4% annually for the two years ending 31 December 2023 provided that the Connected Geely Dealers will be procured by the Geely Holding Group to undertake more promotional activities for the retail financing services offered by Genius AFC.

When determining the said average retail financing penetration of the Geely Holding-Owned Brands Vehicles, Genius AFC has considered the popularity of the brands and the relationship with the Geely Holding Automobile Entities including Polestar and Lotus and the expected demand of retail financing services from the retail customers for their purchase of the Geely Holding-Owned Brands Vehicles.

REASONS FOR AND BENEFITS OF THE AUTOMOBILE FINANCING ARRANGEMENTS

Genius AFC is principally engaged in the provision of auto wholesales financing solutions to auto dealers and retail financing solutions to end customers, mainly supporting three key auto brands in the Geely Holding Group, namely “Geely”, “LYNK & CO” and “Volvo Car”. As disclosed in the interim report of the Company for the six months ended 30 June 2020, Genius AFC secured more external funds through different means like bilateral bank facilities and asset-backed-security (“ABS”) issuances during the first half of 2020. Up to the date of this announcement, Genius AFC has successfully launched eight ABS issuances with cumulative amount of approximately RMB29.5 billion. The total assets of Genius AFC reached RMB39.3 billion by the end of August 2020. With steady increase in the source of funding and assets scale, Genius AFC has been striving for continuing business growth and expanding its wholesale and retail financing services by widening the customer base and service scope with priority of fulfilling the financing needs for Geely-Branded Vehicles. The entering into the Fengsheng Financing Arrangements and the Geely Holding Financing Arrangements will allow Genius AFC to expand into the financing services of new automobile brands which will enable Genius AFC to gain further market share in the PRC auto finance industry. On the other hand, the LYNK & CO Financing Arrangements will maintain the current business portfolio of Genius AFC in the provision of wholesale financing to dealers and retail financing services to retail customers under the LYNK & CO brand.

The Directors also consider that the provision of the LYNK & CO Financing Arrangements, the Fengsheng Financing Arrangements and the Geely Holding Financing Arrangements by Genius AFC would not result in a deprivation of funds available for loan applications for the purchase of vehicles of the Group. To ensure proper allocation of its resources such that the Group’s interest will be safeguarded, Genius AFC has undertaken to the Company that, in the event that there is a shortage of funds experienced by Genius AFC, priority will be given to loan applications for the purchase of vehicles of the Group.

The Board (excluding the independent non-executive Directors who will form their views after considering the advice of the Independent Financial Adviser) is of the view that the terms of the LYNK & CO Financing Arrangements, the Fengsheng Financing Arrangements and the Geely Holding Financing Arrangements were negotiated on an arm’s length basis and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES IN RELATION TO THE AUTOMOBILE FINANCING ARRANGEMENTS

Internal control within Genius AFC

Based on customer requirements, all loan and product pricing proposals (including any subsequent modifications) are prepared by Genius AFC's sales and marketing department. In order to ensure that the aforesaid pricing basis for the LYNK & CO Finance Cooperation Agreement, the Fengsheng Finance Cooperation Agreement and the Geely Holding Finance Cooperation Agreement (together as **"The Finance Cooperation Agreements"**) are adhered to, the finance department of Genius AFC will monitor the fluctuations of the interest rates in the market at least on a monthly basis (or more frequently if it is determined necessary), which include, among others, the PBOC lending base rates, so as to ensure that the interest rates offered for the loan proposals will be higher than the PBOC lending base rates for similar types of loans under similar terms and conditions. In addition, Genius AFC's sales and marketing department communicates with the respective dealers covered by The Finance Cooperation Agreements on an ongoing basis to ensure the terms of the respective wholesales facility agreement and the retail loan agreement covered by The Finance Cooperation Agreements are in line with the general auto finance market practice. The finance department of Genius AFC will prepare reports on market interest rates and review these reports at least monthly (or more frequently if it is determined necessary). These reports are distributed to the sales and marketing department, the finance department, the operation department, the risk control department, the legal and compliance department and the information and technology department of Genius AFC for review whenever necessary. All loan and product pricing proposals prepared by Genius AFC's sales and marketing department must be validated by Genius AFC's finance department (which is responsible for keeping abreast of market interest rates, including but not limited to the PBOC lending base rates, Shanghai interbank offered rates, and interest rates of bank note, assets backed securities, financial bond and other financial instruments and ensuring product pricing proposals are in line with the overall financial planning and budget), operation department (which is responsible for ensuring the operational feasibility by assessing whether the existing manpower, software system, standard and procedures and other internal resources are comprehensive and sufficient enough for the product pricing proposals and considering whether training is required for staff of Genius AFC to understand any new product pricing proposals), risk control department (which is responsible for assessing whether the product pricing proposals are acceptable from risk perspective), legal and compliance department (which is responsible for ensuring whether the loan and product pricing proposals comply with applicable law and regulations) and information technology department (which is responsible for making any necessary changes or enhancement to the existing software systems in respect of respective wholesales financing business and the retail financing business covered by The Finance Cooperation Agreements to support any new product pricing proposals if the existing software system is insufficient to satisfy the operational requirements for the new product pricing proposal). The loan and product pricing proposals will then be submitted to the sales and marketing committee for final approval. Such committee includes the general manager, the chief financial officer, the respective heads of risk control, sales and marketing, operation, and finance departments of Genius AFC.

To ensure the actual new financing amounts will not exceed the respective wholesales annual caps and the retail annual caps covered by The Finance Cooperation Agreements, Genius AFC will prepare specific monthly reports to show the actual transaction volumes and amounts as compared to the respective wholesales annual caps and the retail annual caps covered by The Finance Cooperation Agreements. Once the actual transaction amounts reached certain levels (being 70% of the respective wholesales annual caps and the retail annual caps covered by The Finance Cooperation Agreements for the relevant year), it will trigger an alert to the management to either control the volume for the related business to ensure the respective wholesales annual caps and the retail annual caps covered by The Finance Cooperation Agreements would not be exceeded or to commence necessary process to revise the aforementioned annual caps in accordance with the relevant requirements under Chapter 14A of the Listing Rules.

Further, to ensure the transactions with Connected LYNK & CO Dealers, Connected Fengsheng Dealers (if any), Connected Geely Dealers and Connected Geely Holding Dealers (if any) to be entered on normal commercial terms and on terms no less favourable to the Genius AFC than terms available to and from (as applicable) the independent third parties, the legal department of Genius AFC will ensure that (i) the LYNK & CO Wholesale Facility Agreements and LYNK & CO Retail Loan Cooperation Agreements to be entered with the Connected LYNK & CO Dealers and the Independent LYNK & CO Dealers are the same; (ii) the Fengsheng Retail Loan Cooperation Agreements to be entered with the Connected Fengsheng Dealers (if any) and the Independent Fengsheng Dealers are the same; (iii) the Geely Retail Loan Cooperation Agreements to be entered with the Connected Geely Dealers and the Independent Geely Dealers are the same; and (iv) the Geely Holding Retail Loan Cooperation Agreements to the Connected Geely Holding Dealers (if any) and the Independent Geely Holding Dealers are the same. For the avoidance of doubt, Geely Holding Group has not set up any Connected Fengsheng Dealers and Connected Geely Holding Dealers up to the date of this announcement. Genius AFC will monitor the retail financing business in relation to Maple-Branded Vehicles and Geely Holding-Owned Brands Vehicles to ensure that the transactions with the Connected Fengsheng Dealers and Connected Geely Holding Dealers (if any) are on normal commercial terms and on terms no less favourable to the Genius AFC than terms available to and from (as applicable) the independent third parties.

The above internal control procedures are to ensure the pricing policy stipulated under The Finance Cooperation Agreements is strictly adhered to.

Internal control within the Group

The internal audit department of the Group will also conduct assessment on the internal control measures for all continuing connected transactions of the Company at least annually (or more frequently if it is determined necessary) to ensure such internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on all continuing connected transactions every year and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company also engages its independent auditor

to report on all continuing connected transactions every year. The independent auditor reviews and confirms whether all continuing connected transactions have been approved by the Board; have been conducted in accordance with the pricing policies of the relevant agreement governing the transactions; and have not exceeded the relevant annual caps.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

R&D Services and Technology Licensing Agreement

In view of the increasing demand for the R&D services to be provided to the Geely Holding Group and LYNK & CO Group and the anticipated need of technology licensing used for vehicle engines, transmissions and automobile-related products, the Directors expect that the annual caps for the year ending 31 December 2020 will not be sufficient to meet the demand. As such, the 2019 R&D and Technology Support Agreement entered into among the Company, Geely Holding and LYNK & CO, as further described in the announcement of the Company dated 26 November 2019, will be terminated and superseded by the R&D Services and Technology Licensing Agreement upon its effective date.

The principal terms of the R&D Services and Technology Licensing Agreement are summarised below:

Date

4 November 2020 (after trading hours)

Parties

The Company, Geely Holding and LYNK & CO

Please refer to the paragraph headed “(A) Master CKDs and Automobile Components Sales Agreement – Parties” for further details regarding the Group and Geely Holding.

Please refer to the paragraph headed “(C) The New Powertrain Sales Agreement – Parties” for further details regarding LYNK & CO.

Subject matter

Pursuant to the R&D Services and Technology Licensing Agreement, it was agreed that:

- (i) the Group will provide to the Geely Holding Group and LYNK & CO Group R&D and related technological support services, including research and development of new technologies and new products, technical verification and testing, technical consultation services, technical support services, technology licensing, etc.; and

- (ii) the Group will procure from the Geely Holding Group R&D and related technological support services, including research and development of new technologies and new products, technical verification and testing, and technical consultation services, technical support services, technology licensing, etc.;

The 2019 R&D and Technology Support Agreement entered into among the Company, Geely Holding and LYNK & CO on 26 November 2019, will be terminated and superseded by the R&D Services and Technology Licensing Agreement upon its effective date.

Pricing basis

The services or licenses fees for the R&D services and technology licenses shall be determined based on (i) market rates for comparable R&D services or technology licensing services; or (ii) if there are no comparable market rates, (a) the costs of providing the relevant service plus a margin rate with reference to the cost-plus-margin rate of the comparable companies providing similar services as stated in the transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification (the “**R&D Services Pricing Analysis Report**”), or (b) a percentage of revenue of each vehicle utilising the relevant vehicles platform technology sold based on a licenses fees percentage with reference to the licenses fees rate of the comparable companies providing similar services as stated in the transfer pricing analysis report prepared by an independent certified public accountant or institution with the same qualification (the “**Licenses Fees Pricing Analysis Report**”). According to the aforementioned pricing basis, the R&D service fees and license fee will be determined based on the formula below respectively:

R&D service fees = Cost of providing the R&D services plus margin rate

License fee = Pre-tax revenue of each vehicle which adopts the platform technology x license fee rate x platform rate (representing the cost of the platform technology to the total manufacturing cost of the vehicle model).

Term

From the date of the R&D Services and Technology Licensing Agreement to 31 December 2022.

Condition precedent

The R&D Services and Technology Licensing Agreement is subject to the Company having complied with the relevant requirements of the Listing Rules with regard to the continuing connected transactions contemplated under the R&D Services and Technology Licensing Agreement.

If the above condition has not been fulfilled on or before 31 December 2020 (or such later date as the parties may agree in writing), the R&D Services and Technology Licensing Agreement will lapse and all the obligations and liabilities of the parties thereto will cease and terminate.

Termination

The R&D Services and Technology Licensing Agreement may be terminated if:

- (i) a three-month prior written notice to terminate the R&D Services and Technology Licensing Agreement is served by any party;
- (ii) any party ceases business, is subject to attachment or is ordered to close down by the court or the relevant authorities in the relevant jurisdictions as resulted from material violation of the laws or regulations, declares bankruptcy, is unable to perform its obligations under the R&D Services and Technology Licensing Agreement due to force majeure; or
- (iii) Geely Holding, LYNK & CO or any of their respective associates cease to be connected persons of the Company.

Historical transaction amounts and proposed annual caps

The table below sets out (i) the historical transaction amounts for the year ended 31 December 2019 and the eight months ended 31 August 2020; and (ii) the annual caps for the R&D service fees paid to and received from the Geely Holding Group pursuant to the 2019 R&D and Technology Support Agreement for the three years ending 31 December 2021.

	Historical transaction amount for the year ended 31 December 2019 RMB million (Audited)	Historical transaction amount for the eight months ended 31 August 2020 RMB million (Unaudited)	Approved annual caps for the year ended/ending 31 December		
			2019 RMB million	2020 RMB million	2021 RMB million
Service fees receivable from the Geely Holding Group and LYNK & CO Group for the R&D and technology support services provided by the Group	44.7	413.1	76.2	539.7	550.9
Utilisation rate of annual caps			58.7%	76.5% (Note)	N/A
Service fees payable to the Geely Holding Group for the R&D and technology support services provided by the Geely Holding Group	26.0	46.0	52.4	408.1	478.8
Utilisation rate of annual caps			49.6%	11.3% (Note)	N/A

Note: Utilisation rate of the annual cap for the year ending 31 December 2020 was calculated by dividing the historical transaction amount for the eight months ended 31 August 2020 by the approved annual cap for the full financial year ending 31 December 2020.

The table below sets out the proposed annual caps for the R&D service fees and technology license fees receivable and payable by the Group pursuant to the R&D Services and Technology Licensing Agreement for the period from the date of the R&D Services and Technology Licensing Agreement to 31 December 2020 and each of the two years ending 31 December 2022.

	Proposed annual cap for the period from the date of the R&D Services and Technology Licensing Agreement to 31 December 2020	Proposed annual caps for the year ending 31 December	
		2021	2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Service fees and license fees receivable from the Geely Holding Group and services fees receivable from the LYNK & CO Group for the R&D and technology licensing services provided by the Group	1,475.7	3,711.6	4,046.5
Service fees and license fees payable to the Geely Holding Group for the R&D and technology licensing services provided by the Geely Holding Group	437.5	676.3	528.8

Basis of determination of the proposed annual caps

The proposed annual caps for R&D services and technology licensing services have been determined by the Directors with reference to (i) projected total staff hours required for each R&D and technology support project; (ii) projected hourly cost for the R&D staff based on historical cost; (iii) other relevant costs incurred for the R&D and technology support projects; (iv) estimated stage of completion of the R&D and technology support projects for the period from the date of the R&D Services and Technology Licensing Agreement to 31 December 2020 and each of the two years ending 31 December 2022; (v) the margin rate of 7.78% as stated in the R&D Services Pricing Analysis Report issued on 26 November 2019 over the estimated cost; (vi) the expected increase in the R&D and technology support services in relation to the development of the LYNK & CO-branded vehicles; (vii) the independent appraisal report for the market rate of the proprietary technologies of the Licensed Model to be licensed by the Group to the Geely Holding Group in relation to the Maple-Branded Vehicles; (viii) the projected unit sales of vehicles utilising relevant vehicles platform technologies licensed by the Geely Holding Group to the Group; (ix) the license fee rate of 3% as stated in the Licenses Fees Pricing Analysis Report issued on 9 October 2020 for relevant vehicles platform technologies licensed by the Geely Holding Group to the Group; and (x) the estimated average platform rate of 30% for relevant vehicles platform technologies licensed by the Geely

Holding Group to the Group for the manufacturing of the vehicle models under the Geely brand. That the aforementioned margin rate, license fee rate and the estimated platform rate are only for the purpose of calculating the proposed annual caps above and shall not be deemed as fixed rates for the transactions throughout the term of the R&D Services and Technology Licensing Agreement.

The significant increase in the proposed annual cap for service fees and license fees receivable from the Geely Holding Group and services fees receivable from the LYNK & CO Group for the year ending 31 December 2021 is due to the increased process of development of R&D and technology support projects relating to the development of LYNK & CO-branded vehicles in 2021 which results in a significant increase in the R&D costs.

The Directors (including the independent non-executive Directors) are of the view that the R&D Services and Technology Licensing Agreement is entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms and the proposed annual caps of the R&D Services and Technology Licensing for the three years ending 31 December 2022 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE R&D SERVICES AND TECHNOLOGY LICENSING AGREEMENT

The R&D services provided by the Group to the Geely Holding Group and the LYNK & CO Group are mainly used for vehicle engines, transmissions and other automobile-related products to be used by the models under the brands of Proton, LYNK & CO and other brands owned by the Geely Holding Group. The technologies owned by the Group will enhance the R&D ability and core competitiveness of the Group. In addition, by owning the proprietary technologies, the R&D service fee incurred by purchasing R&D service from the Geely Holding Group will be reduced, which will result in lower R&D costs for the Group on one hand and generate additional income for the Group by providing R&D services to the Geely Holding Group on the other hand. The technology licensing services provided by the Group to the Geely Holding Group including the licensing of Intellectual Properties associated with the Licensed Models will provide an opportunity for the Group to export its technology as a way to generate additional income for the Group. The R&D and licensing services provided by the Geely Holding Group to the Group will give the Group access to the global R&D resources and the vehicles platform technology of the Geely Holding Group. The Directors are of the view that the entering into of the R&D Services and Technology Licensing Agreement is beneficial to the Group as (i) it enhances synergy and co-sharing of technology among the parties, which reduces the overall R&D costs for the Group; and (ii) it supports further technology upgrade for the Group's engine, transmissions and other automobile-related products which in turn improves the competitiveness of the Group's vehicles.

INTERNAL CONTROL MEASURES IN RELATION TO THE R&D SERVICES AND TECHNOLOGY LICENSING AGREEMENT

In terms of the R&D and technology licensing services provided by the Group to the Geely Holding Group and the LYNK & CO Group, the finance department of the Group will compare with the existing similar services to independent third parties (if any) to determine the market rates for the R&D services or technology licensing services. If there are no such market rates, the finance department of the Group will review the relevant cost items as well as other necessary and reasonable expenses incurred by the Group for the relevant R&D services and technology licensing services performed on yearly basis (or more frequently if it is determined necessary) and ensure the existence and accuracy of such costs.

In terms of the R&D and technology licensing services provided by the Geely Holding Group to the Group, the finance department of the Group will compare with the existing similar services by independent third parties (if any) to determine the market rates for the R&D services or technology licensing services. If there are no such market rates, the finance department of the Group will review the relevant costs items provided by the Geely Holding Group in relation to the R&D and technology licensing services performed on yearly basis (or more frequently if it is determined necessary) and ensure the existence and accuracy of such costs.

For the licensing of the relevant vehicles platform technologies, the finance department of the Group will review the selling price of the vehicles utilising relevant vehicles platform technologies being licensed and the cost of the relevant vehicles platform technologies to the total manufacturing cost of the respective vehicle models on yearly basis (or more frequently if it is determined necessary) to ensure existence and accuracy of the licenses fees.

The Company, Geely Holding and LYNK & CO (where applicable) will determine the margin rates of R&D services and technology licensing services with reference to the respective transfer pricing analysis reports prepared by an independent certified public accountant or institution with the same qualification. The Company and Geely Holding will review the scope of the R&D services and technology licensing services on yearly basis (or more frequently if it is determined necessary) to determine whether updated transfer pricing analysis reports should be obtained for the determination of the respective margin rates.

EXEMPTED CONNECTED TRANSACTION

Assets Acquisition Agreement

On 4 November 2020 (after trading hours), the Company and Geely Holding entered into the Assets Acquisition Agreement pursuant to which the Group agreed to purchase, and the Geely Holding Group agreed to sell, the Target Assets for a maximum cash consideration of approximately RMB744.0 million.

Date

4 November 2020 (after trading hours)

Parties

Vendor: Geely Holding

Purchaser: The Company

Subject matter

Pursuant to the Assets Acquisition Agreement, the Group agreed to purchase, and the Geely Holding Group agreed to sell, the Target Assets.

The Target Assets

The assets to be acquired by the Group from the Geely Holding Group pursuant to the Assets Acquisition Agreement comprise predominantly equipment for use in the Group's research and development for the LYNK & CO-branded vehicles and Geely-Branded Vehicles related products such as vehicle engines and transmissions, as well as a small amount of office equipment and software system.

Consideration

The consideration for the Target Assets will equal to the carrying value of the Target Assets as at the date of delivery of the Target Assets to the Group, but in any event will not exceed RMB743,918,000. The consideration will be payable in cash by the Group as to (i) 50% within 15 business days upon the delivery of the Target Assets to the Group; and (ii) 50% within 15 business days upon completion of the final inspection and acceptance procedures by the Group.

The maximum consideration for the Target Assets was determined after arm's length negotiations between the Company and Geely Holding and is equivalent to the aggregate carrying value of the Target Assets as at 31 August 2020.

It is expected the consideration for the acquisition of the Target Assets will be funded by the internal resources of the Group.

Condition precedent

Completion of the Assets Acquisition Agreement is conditional upon the Company having complied with the relevant requirements of the Listing Rules with regard to the connected transaction contemplated under the Assets Acquisition Agreement.

If the above condition has not been fulfilled on or before 31 December 2020 (or such later date as the parties may agree in writing), the Assets Acquisition Agreement will lapse and all the obligations and liabilities of the parties thereto will cease and terminate.

Termination

The Assets Acquisition Agreement may be terminated if:

- (i) a written agreement is entered into between the parties to terminate the Assets Acquisition Agreement;
- (ii) either party ceases business, is subject to attachment or is ordered to close down by the court or the relevant authorities in the relevant jurisdictions as resulted from material violation of the laws or regulations, declares bankrupt, is unable to perform its obligations under the Assets Acquisition Agreement due to force majeure; or
- (iii) Geely Holding and its associates cease to be connected persons of the Company.

The Directors (including the independent non-executive Directors) are of the view that, although the Assets Acquisition Agreement is not entered into in the ordinary and usual course of business of the Group, the Assets Acquisition Agreement is on normal commercial terms and the terms of the Assets Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ASSETS ACQUISITION AGREEMENT

Under the business planning of the Geely Holding Group, the vehicle engines, transmission and vehicle styling related R&D activities will be undertaken by the Group. The Target Assets to be purchased by the Group will facilitate the vehicle engines, transmission and vehicle styling related R&D work for LYNK & CO-branded vehicles and Geely-Branded Vehicles and also support further upgrade on both hardware and software side of the Group's R&D technology.

IMPLICATIONS UNDER THE LISTING RULES

(a) Non-exempt continuing connected transactions contemplated under the Master CKDs and Automobile Components Sales Agreement, Master CKDs and Automobile Components Purchase Agreement, the New Powertrain Sales Agreement and the Automobile Financing Arrangements

Master CKDs and Automobile Components Sales Agreement, Master CKDs and Automobile Components Purchase Agreement and the New Powertrain Sales Agreement

As at the date of this announcement, Geely Holding is beneficially wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 41.20% of the issued share capital of the Company as at the date of this announcement, and is a connected person of the Company. Accordingly, Geely Holding is an associate of Mr. Li and a connected person of the Company for the purpose of the Listing Rules, and the transactions contemplated under the Master CKDs and Automobile Components Sales Agreement, Master CKDs and Automobile Components Purchase Agreement and the New Powertrain Sales Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps under the Master CKDs and Automobile Components Sales Agreement, Master CKDs and Automobile Components Purchase Agreement as well as the New Powertrain Sales Agreement exceed 5% on an annual basis respectively, the proposed annual caps under the Master CKDs and Automobile Components Sales Agreement, Master CKDs and Automobile Components Purchase Agreement and the New Powertrain Sales Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules respectively.

Automobile Financing Arrangements

As at the date of this announcement, Genius AFC is owned as to 80% by the Company and 20% by BNPP PF. The exercise of call option by BNPP PF to acquire additional equity interest in Genius AFC with reference to the announcement of the Company dated 12 August 2020 has not yet been completed as at the date of this announcement.

As at the date of this announcement, LYNK & CO Sales is a wholly owned subsidiary of LYNK & CO, which is a joint venture of the Company established and owned as to 50%, 20% and 30% by Zhejiang Jirun, Zhejiang Haoqing and VCI, respectively. Zhejiang Haoqing and VCI are owned as to 100% and 97.8% by Geely Holding. As such, LYNK & CO Sales is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

The Geely Holding Group has operated the Connected LYNK & CO Dealers from 2020 to facilitate the sales of LYNK & CO-branded vehicles to the retail customers. As the LYNK & CO Dealers as defined in the LYNK & CO Finance Cooperation Agreement include the Connected LYNK & CO Dealers, both Independent LYNK & CO Dealers and Connected LYNK & CO Dealers will be covered by the LYNK & CO Financing Arrangements. Since the Connected LYNK & CO Dealers are connected persons of the Company, the transactions between Genius AFC and the Connected LYNK & CO Dealers contemplated under the LYNK & CO Financing Arrangements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For the Independent LYNK & CO Dealers and the LYNK & CO Retail Customers, who are independent third parties to the Company and its connected persons, their transactions with Genius AFC are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the Independent LYNK & CO Dealers and the LYNK & CO Retail Customers will use the loans provided by Genius AFC to purchase vehicles from LYNK & CO Sales, which is a connected person of the Company under the Listing Rules.

As at the date of this announcement, Fengsheng Sales is ultimately wholly owned by Fengsheng. Fengsheng is owned as to 78% by Geely Technology and 22% by Kandi Vehicles while Geely Technology is beneficially wholly owned by Mr. Li and his associate. As such, Fengsheng Sales and Fengsheng are associates of Mr. Li and connected persons of the Company under the Listing Rules.

The Fengsheng Dealers as defined in the Fengsheng Finance Cooperation Agreement include both Independent Fengsheng Dealers and Connected Fengsheng Dealers (if any). For the avoidance of doubt, the Geely Holding Group has not set up any Connected Fengsheng Dealers up to the date of this announcement. The proposed Fengsheng Financing Annual Caps for each of the three years ending 31 December 2023 include only new financing amounts to be provided by Genius AFC to the Fengsheng Retail Customers who will purchase Maple-Branded Vehicles from the Independent Fengsheng Dealers. Should Genius AFC provide financing services to the Fengsheng Retail Customers who will purchase Maple-Branded Vehicles from the Connected Fengsheng Dealers under the Fengsheng Financing Arrangements during the term of the Fengsheng Finance Cooperation Agreement, such transactions will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules and will be governed by the proposed Fengsheng Financing Annual Caps for each of the three years ending 31 December 2023. On the other hand, transactions between Genius AFC and the Independent Fengsheng Dealers as well as the Fengsheng Retail Customers, who are independent to the Company and its connected persons, pursuant to the Fengsheng Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the Fengsheng Retail Customers will use the loans provided by Genius AFC to purchase Maple-Branded Vehicles from Fengsheng Sales, which is a connected person of the Company under the Listing Rules.

The Geely Holding Dealers as defined in the Geely Holding Finance Cooperation Agreement include both Independent Geely Holding Dealers and Connected Geely Holding Dealers (if any). For the avoidance of doubt, the Geely Holding Group has not set up any Connected Geely Holding Dealers up to the date of this announcement. The proposed Geely Holding Financing Annual Caps for each of the three years ending 31 December 2023 include only new financing amounts to be provided by Genius AFC to the Geely Retail Customers who will purchase Geely Holding-Owned Brands Vehicles from the Independent Geely Holding Dealers and Geely-Branded Vehicles from the Connected Geely Dealers, respectively. Should Genius AFC provide financing services to the Geely Retail Customers who will purchase Geely Holding-Owned Brands Vehicles from the Connected Geely Holding Dealers under the Geely Holding Financing Arrangements during the term of the Geely Holding Finance Cooperation Agreement, such transactions will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules and will be governed by the proposed Geely Holding Financing Annual Caps for each of the three years ending 31 December 2023. On the other hand, since the Connected Geely Dealers, which have not yet entered into any transactions with Genius AFC since their operation from 2020, are connected persons of the Company, the transactions between Genius AFC and the Connected Geely Dealers contemplated under the Geely Holding Financing Arrangements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. Further, transactions between Genius AFC and the Independent Geely Holding Dealers as well as the Geely Retail Customers, who are independent to the Company and its connected persons, pursuant to the Geely Holding Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the Geely Retail Customers will use the loans provided by Genius AFC to purchase Geely Holding-Owned Brands Vehicles from the Geely Holding Group, which is a connected person of the Company under the Listing Rules.

As one or more of the applicable percentage ratios for the proposed annual caps of the continuing connected transactions contemplated under the Automobile Financing Arrangements, exceed(s) 5% on an aggregated and annual basis, the continuing connected transactions contemplated under the Automobile Financing Arrangements are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(a) Exempted continuing connected transactions in relation to the R&D Services and Technology Licensing Agreement

As Geely Holding is a connected person of the Company, the transactions contemplated under the R&D Services and Technology Licensing Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the proposed annual caps for the R&D Services and Technology Licensing Agreement on an annual basis are over 0.1% but less than 5%, the transactions contemplated under the R&D Services and Technology Licensing Agreement are subject to the reporting, annual review, announcement requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(b) Exempted connected transaction in relation to the Assets Acquisition Agreement

Geely Holding is a connected person of the Company. Accordingly, the transaction contemplated under the Assets Acquisition Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transaction contemplated under the Assets Acquisition Agreement are over 0.1% but less than 5%, the transaction contemplated under the Assets Acquisition Agreement is subject to the reporting and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

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 Non-Exempt Continuing Connected Transactions, the R&D Services and Technology Licensing Agreement and the Assets Acquisition Agreement by virtue of their interests and/or directorship in Geely Holding. As a result, Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui have abstained from voting on the Board resolutions for approving the Non-Exempt Continuing Connected Transactions, the R&D Services and Technology Licensing Agreement and the Assets Acquisition Agreement.

The Independent Board Committee has been formed to advise the Independent Shareholders with respect to the Non-Exempt Continuing Connected Transactions, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Non-Exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

A circular containing, among other things, (i) further information about the Non-Exempt Continuing Connected Transactions; (ii) the recommendation of the Independent Board Committee in respect of the Non-Exempt Continuing Connected Transactions; (iii) the advice of the Independent Financial Adviser on the Non-Exempt Continuing Connected Transactions; and (iv) other information as required under the Listing Rules together with the notice of the EGM, will be despatched to the Shareholders on or before 4 December 2020 (which is more than 15 business days after the publication of this announcement) after taking into account the time required for preparing and gathering the relevant information to be contained in the circular.

DEFINITIONS

In this announcement, the following terms shall have the meanings set out below unless the context requires otherwise:

“2017 Powertrain Sales Agreement”	the master agreement dated 7 November 2017 entered into between the Company and Geely Holding for the sale of vehicle engines, transmissions and related after-sales by the Group to the LYNK & CO Group and the Geely Holding Group which will expire on 31 December 2020
“2018 Kandi Supply Agreement”	the master agreement entered into between the Group and Kandi on 5 October 2018 in relation to the supply of automobile parts and components by the Group to the Kandi Group which will expire on 31 December 2021
“2018 Proton Sales Agreement”	the master agreement entered into between the Company and Geely Holding on 24 September 2018 in relation to the sale of CBUs, CKDs and related after-sales parts of the Licensed Models in relation to the Proton-branded vehicles to the Geely Holding Group which will expire on 31 December 2020
“2019 R&D and Technology Support Agreement”	the master agreement entered into between the Company, Geely Holding and LYNK & CO on 26 November 2019 pursuant to which the Group agreed to provide R&D and technology support services to Geely Holding Group and LYNK & CO Group and the Group agreed to procure from Geely Holding Group R&D and relevant technology support service which will expire on 31 December 2021
“Assets Acquisition Agreement”	the agreement dated 4 November 2020 entered into between the Company and Geely Holding for the purchase of the Target Assets by the Group from the Geely Holding Group
“Automobile Components Procurement Agreement”	the master agreement dated 5 October 2018 entered into between the Company and Geely Holding for the procurement of automobile components by the Group from the Geely Holding Group
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Automobile Financing Arrangements”	the renewal of LYNK & CO Financing Arrangements; the Fengsheng Financing Arrangements and the Geely Holding Financing Arrangements

“BNPP PF”	BNP Paribas Personal Finance, a subsidiary of the BNP Paribas Group, which engages in consumer credit and mortgage lending activities
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBU(s)”	complete buildup unit (整車), a complete vehicle after the final assembly
“CKD(s)”	complete knock down kit(s) (整車成套件), a complete kit needed to assemble a vehicle
“CKDs and Automobile Components Purchase Annual Caps”	the proposed annual caps in relation to the purchase of CKDs and automobile components by the Group from the Geely Holding Group for each of the financial years ending 31 December 2021, 2022 and 2023
“CKDs and Automobile Components Sales Annual Caps”	the proposed annual caps in relation to the sale of CKDs and automobile components by the Group to the Geely Holding Group for each of the financial years ending 31 December 2021, 2022 and 2023
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 175)
“Connected Fengsheng Dealers”	enterprises, which are controlled by the Geely Holding Group, to be authorised by Fengsheng Sales under a franchise dealer agreement to sell Maple-Branded Vehicles to Fengsheng Retail Customers
“Connected Geely Dealers”	enterprises, which are controlled by the Geely Holding Group, being authorised by the Group under a franchise dealer agreement to sell Geely-Branded Vehicles to Geely Retail Customers
“Connected Geely Holding Dealers”	enterprises, which are controlled by the Geely Holding Group, to be authorised by Geely Holding Automobile Entities under a franchise dealer agreement to sell Geely Holding-Owned Brands Vehicles to Geely Retail Customers

“Connected LYNK & CO Dealers”	enterprises, which are controlled by the Geely Holding Group, to be authorised by LYNK & CO Sales under a franchise dealer agreement to sell LYNK & CO-branded vehicles to LYNK & CO Retail Customers
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Dakin Capital” or “Independent Financial Adviser”	Dakin Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Non-Exempt Continuing Connected Transactions
“Electric Vehicle Agreement”	the master agreement dated 5 October 2018 entered into among the Company, Geely Holding and GGL for the sale of CBUs of electric vehicles by the Company to the Geely Holding Group and the GGL Group
“Farizon”	a commercial vehicle brand owned by the Geely Holding Group
“Fengsheng”	楓盛汽車科技集團有限公司 (Fengsheng Automobile Technology Group Co., Ltd*), a limited liability company incorporated in the PRC and owned as to 78% by Geely Technology and 22% by Kandi Vehicles
“Fengsheng Financing Annual Caps”	the proposed annual caps (representing the annual new financing amounts to be provided by Genius AFC to the Fengsheng Retail Customers) under the Fengsheng Retail Financing Business for each of the financial years ending 31 December 2021, 2022 and 2023 as set out under the paragraph headed “Fengsheng Financing Annual Caps”
“Fengsheng Dealer(s)”	enterprises that are authorised by Fengsheng Sales under a franchise dealer agreement to sell Maple-Branded Vehicles to Fengsheng Retail Customers (which include the Independent Fengsheng Dealers and the Connected Fengsheng Dealers (if any))

“Fengsheng Finance Cooperation Agreement”	the cooperation agreement entered into between Genius AFC and Fengsheng Sales on 4 November 2020, pursuant to which Genius AFC will provide vehicle financing services to the Fengsheng Retail Customers to assist them to buy Maple-Branded Vehicles
“Fengsheng Financing Arrangements”	the parcel of arrangements which includes (i) the cooperation arrangements as stipulated in the Fengsheng Finance Cooperation Agreement; and (ii) the Fengsheng Retail Financing Business
“Fengsheng Group”	Fengsheng together with its subsidiaries
“Fengsheng Retail Customer(s)”	retail customers who purchase Maple-Branded Vehicles from the Fengsheng Dealers
“Fengsheng Retail Financing Business”	the provision by Genius AFC of vehicle loans and other financing to the Fengsheng Retail Customers to assist them to buy Maple-Branded Vehicles from the Fengsheng Dealers
“Fengsheng Retail Loan Agreements”	financing agreements to be entered into between Genius AFC and the Fengsheng Retail Customers which set out the terms of the loans to be provided by Genius AFC to the Fengsheng Retail Customers for their purchase of Maple-Branded Vehicles
“Fengsheng Retail Loan Cooperation Agreements”	the cooperation agreements to be entered into between Genius AFC and the Fengsheng Dealers, pursuant to which the Fengsheng Dealers will recommend their retail customers to use Genius AFC for obtaining vehicle loans to finance their purchase of Maple-Branded Vehicles
“Fengsheng Sales”	浙江楓盛汽車銷售有限公司 (Zhejiang Fengsheng Automobile Sales Company Limited*), a limited company established in the PRC and a wholly owned subsidiary of Fengsheng as at the date of this announcement
“Geely-Branded Vehicles”	vehicles of automobile brands of the Group
“Geely Dealers”	enterprises that are authorised by the Group under a franchise dealer agreement to sell Geely-Branded Vehicles (which include the Independent Geely Dealers and the Connected Geely Dealers)
“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 Zhejiang Province, the PRC, and is beneficially wholly owned by Mr. Li and his associate

“Geely Holding Automobile Entities”	automobile entities of the Geely Holding-Owned Brands Vehicles under the Geely Holding Group
“Geely Holding Financing Annual Caps”	the proposed annual caps (representing the annual new financing amounts to be provided by Genius AFC to the Geely Retail Customers) under the Geely Holding Retail Financing Business for each of the financial years ending 31 December 2021, 2022 and 2023
“Geely Holding Dealer(s)”	enterprises that are authorised by the Geely Holding Group under a franchise dealer agreement to sell Geely Holding-Owned Brands Vehicles (which include the Independent Geely Holding Dealers and the Connected Geely Holding Dealers (if any))
“Geely Holding Group”	Geely Holding and its subsidiaries
“Geely Holding Finance Cooperation Agreement”	the cooperation agreement entered into between Genius AFC and Geely Holding on 4 November 2020 which sets out, among other things, the terms on which Genius AFC will provide vehicle financing services to the Geely Retail Customers to assist them to purchase Geely-Branded Vehicles and Geely Holding Group-Owned Brands Vehicles
“Geely Holding Financing Arrangements”	the parcel of arrangements which includes (i) the cooperation arrangements as stipulated in the Geely Holding Finance Cooperation Agreement; and (ii) the Geely Holding Retail Financing Business
“Geely Holding-Owned Brands Vehicles”	vehicles of automobile brands of the Geely Holding Group excluding Volvo-branded vehicles for the purpose of this announcement
“Geely Holding Retail Financing Business”	the provision by Genius AFC of vehicle loans and other financing to the Geely Retail Customers to assist them to purchase (a) Geely-Branded Vehicles from the Connected Geely Dealers; or (b) Geely Holding-Owned Brands Vehicles from the Geely Holding Dealers
“Geely Holding Retail Loan Agreement”	financing agreements to be entered into between Genius AFC and the Geely Retail Customers which set out the terms of the loans to be provided by Genius AFC to the Geely Retail Customers for their purchase of Geely Holding-Owned Brands Vehicles

“Geely Holding Retail Loan Cooperation Agreements”	the cooperation agreements entered into between Genius AFC and Geely Holding Dealers, pursuant to which such dealers shall recommend their retail customers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of Geely Holding-Owned Brands Vehicles
“Geely Holding & LYNK & CO Automobile Parts Supply Agreement”	a master agreement dated 5 October 2018 entered into among the Company, Geely Holding and LYNK & CO for the supply of automobile parts and components by the Group to the Geely Holding Group and the LYNK & CO Group
“GGL”	吉利集團有限公司 (Geely Group Company Limited*), which subsequently changed its name as Geely Technology, a private limited liability company incorporated in the PRC and is ultimately wholly owned by Mr. Li and his associate
“GGL Group”	GGL and its subsidiaries
“Geely Retail Customer(s)”	retail customers who purchase Geely-Branded Vehicles from the Geely Dealers (which include Connected Geely Dealers) or Geely Holding-Branded Vehicles from the Geely Holding Dealers
“Geely Retail Loan Agreement”	financing agreements to be entered into between Genius AFC and the Geely Retail Customers which set out the terms of the loans to be provided by Genius AFC to the Geely Retail Customers for their purchase of Geely-Branded Vehicles
“Geely Retail Loan Cooperation Agreements”	the cooperation agreements entered into between Genius AFC and the Connected Geely Dealers, pursuant to which such dealers shall recommend their retail customers to use Genius AFC for the obtaining of vehicle loans to finance their purchase of Geely-Branded Vehicles
“Geely Technology”	吉利科技集團有限公司 (Geely Technology Group Company Limited*), a private limited liability company incorporated in the PRC and is ultimately wholly owned by Mr. Li and his associate

“Genius AFC”	吉致汽車金融有限公司 (Genius Auto Finance Co., Ltd.*), a limited liability company incorporated in the PRC which is owned as to 80% by the Company and as to 20% by BNPP PF. As certain key corporate matters of Genius AFC require a positive vote from BNPP PF or unanimous resolution of all directors (present in person or represented by proxy for the board meeting) of Genius AFC, Genius AFC is treated as a jointly controlled entity of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, which comprises all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders on the Non-Exempt Continuing Connected Transactions
“Independent Fengsheng Dealers”	enterprises, which are independent from the Company and its connected persons, being authorised by Fengsheng Sales under a franchise dealer agreement to sell Maple-Branded Vehicles to Fengsheng Retail Customers
“Independent Geely Dealers”	enterprises, which are independent from the Company and its connected persons, being authorised by the Group under a franchise dealer agreement to sell Geely-Branded Vehicles to Geely Retail Customers
“Independent Geely Holding Dealers”	enterprises, which are independent from the Company and its connected persons, being authorised by the Geely Holding Group under a franchise dealer agreement to sell Geely Holding-Owned Brands Vehicles to Geely Retail Customers
“Independent LYNK & CO Dealers”	enterprises, which are independent from the Company and its connected persons, being authorised by LYNK & CO Sales under a franchise dealer agreement to sell LYNK CO-branded vehicles to LYNK & CO Retail Customers
“Intellectual Properties”	the intellectual properties including, among other things, patents, inventions, designs, copyrights, etc. associated with the Licensed Models
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui and their respective associates

“Kandi”	康迪電動汽車集團有限公司 (Kandi Electric Vehicles Group Co., Ltd.*), a limited liability company incorporated in the PRC which subsequently changed its name to Fengsheng in October 2019
“Kandi Group”	Kandi and its subsidiaries
“Kandi Vehicles”	浙江康迪車業有限公司 (Zhejiang Kandi Vehicles Co., Ltd.*), a limited liability company incorporated in the PRC and is indirectly wholly owned by Continental Development Limited, which is a limited private company incorporated in Hong Kong and ultimately controlled by Mr. Hu Xiaoming (胡曉明), who is independent from the Company and its connected persons
“Licensed Model(s)”	the NL-3 Model, the SX-11 Model, the new vehicle model under the Geely brand of which Intellectual Properties were licensed by the Group to the Geely Holding Group in relation to the Proton-branded vehicles and the VF11 Model of which Intellectual Properties are to be licensed by the Group to the Geely Holding Group in relation to the Maple-Branded Vehicles
“Licensed Regions”	Negara Brunei Darussalam, Republic of Indonesia, Malaysia, Republic of Singapore, Thailand and other regions to be agreed between the Company and Geely Holding for the sales and distribution of Proton-branded vehicles. The term “Licensed Region” shall mean anyone of the above
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lotus”	北京路特斯汽車銷售有限公司 (Beijing Lotus Automobile Sales Company Limited*), a private company established in the PRC and 51% indirectly owned by Geely Holding
“LYNK & CO”	領克投資有限公司 (LYNK & CO Investment Co., Ltd.*), a Chinese-foreign equity joint venture of the Company established in the PRC and owned as to 50%, 20% and 30% by Zhejiang Jirun, Zhejiang Haoqing and VCI as at the date of this announcement
“LYNK & CO Dealers”	enterprises that are authorised by LYNK & CO Sales under a franchise dealer agreement to sell LYNK & CO-branded vehicles to LYNK & CO Retail Customers (which include the Independent LYNK CO Dealers and the Connected LYNK & CO Dealers)
“LYNK & CO Group”	LYNK & CO and its subsidiaries

“LYNK & CO Financing Arrangements”	the parcel of arrangements which includes (i) the cooperation arrangements as stipulated in the LYNK & CO Finance Cooperation Agreement; (ii) the LYNK & CO Wholesale Financing Business; and (iii) the LYNK & CO Retail Financing Business
“LYNK & CO Finance Cooperation Agreement”	the cooperation agreement entered into between Genius AFC and LYNK & CO Sales on 3 November 2017 which sets out, among other things, the terms on which Genius AFC will supply vehicle financing services to the LYNK & CO Dealers and LYNK & CO Retail Customers, including (i) wholesale financing to the LYNK & CO Dealers to assist them to buy LYNK & CO-branded vehicles and eventually selling such vehicles to the LYNK & CO Retail Customers; and (ii) retail financing to the LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles from the LYNK & CO Dealers
“LYNK & CO Retail Annual Caps”	the proposed annual caps for the LYNK & CO Retail Financing Business for each of the financial years ending 31 December 2021, 2022 and 2023
“LYNK & CO Retail Customer(s)”	retail customers who purchase LYNK & CO-branded vehicles from the LYNK & CO Dealers
“LYNK & CO Retail Financing”	the provision by Genius AFC of vehicle loans and other financing to the LYNK & CO Retail Customers to assist them to buy LYNK & CO-branded vehicles from the LYNK & CO Dealers
“LYNK & CO Retail Financing Business”	one of the principal businesses to be carried out by Genius AFC regarding the provision of the LYNK & CO Retail Financing
“LYNK & CO Retail Loan Agreement”	financing agreements to be entered into between Genius AFC and the LYNK & CO Retail Customers which set out the terms of the loans to be provided by Genius AFC to the LYNK & CO Retail Customers for their purchase of LYNK & CO-branded vehicles
“LYNK & CO Retail Loan Cooperation Agreement”	the cooperation agreements to be entered into between Genius AFC and the LYNK & CO Dealers, pursuant to which the LYNK & CO Dealers will recommend their retail customers to use Genius AFC for obtaining vehicle loans to finance their purchase of LYNK & CO-branded vehicles

“LYNK & CO Sales”	領克汽車銷售有限公司 (LYNK & CO Automobile Sales Co., Ltd*), a limited company established in the PRC and a wholly owned subsidiary of LYNK & CO as at the date of this announcement
“LYNK & CO Wholesale Annual Caps”	the proposed annual caps for the LYNK & CO Wholesale Financing Business for each of the financial years ending 31 December 2021, 2022 and 2023
“LYNK & CO Wholesale Facility Agreements”	financing agreements to be entered into between Genius AFC and the respective LYNK & CO Dealers which set out the terms of the loans to be provided by Genius AFC to such LYNK & CO Dealers for their purchase of LYNK & CO-branded vehicles
“LYNK & CO Wholesale Financing”	the provision by Genius AFC of vehicle loans and other financing to the LYNK & CO Dealers to assist them to buy LYNK & CO-branded vehicles from LYNK & CO Sales
“LYNK & CO Wholesale Financing Business”	one of the principal businesses to be carried out by Genius AFC regarding the provision of the LYNK & CO Wholesale Financing
“Maple-Branded Vehicles”	the vehicle models owned by Fengsheng Group
“Master CKDs and Automobile Components Purchase Agreement”	the master agreement entered into between the Company and Geely Holding on 4 November 2020, pursuant to which the Group will purchase CKDs and automobile components under the Geely brand including Vision X6 vehicle model, etc. from the Geely Holding Group
“Master CKDs and Automobile Components Sales Agreement”	the master agreement entered into between the Company and Geely Holding on 4 November 2020, pursuant to which the Group will sell CKDs and automobile components in relation to vehicle models including Proton-branded vehicles, Maple-Branded Vehicles, Farizon-branded vehicles etc. to the Geely Holding Group
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding 41.20% interest in the total issued share capital of the Company as at the date of this announcement
“New Coronavirus”	a type of virus which has caused a worldwide pandemic respiratory illness called COVID-19

“New Powertrain Sales Agreement”	the master agreement dated 4 November 2020 entered into between the Company, Geely Holding and LYNK & CO for the sale of vehicle engines, transmissions and related after-sales by the Group to the Geely Holding Group and LYNK & CO Group
“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 ultimately wholly owned by Geely Holding
“NL-3 Model”	known as “Geely Boyue” (吉利博越), which is a sport utility vehicle model developed by the Group
“Non-Exempt Continuing Connected Transactions”	the Master CKDs and Automobile Components Sales Agreement, the Master CKDs and Automobile Components Purchase Agreement, the New Powertrain Sales Agreement and the Automobile Financing Arrangements and the transactions contemplated thereunder
“PBOC”	the People’s Bank of China (中國人民銀行)
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“Polestar”	北辰汽車(上海)有限公司 (Polestar Automobile (Shanghai) Company Limited*) a Chinese-foreign equity joint venture of the Company established in the PRC and owned as to 50% and 50% by Geely Holding and VCI as at the date of this announcement
“Powertrain Sales Annual Caps”	the proposed annual caps in relation to sale of vehicle engines, transmissions and related after-sales parts by the Group for each of the financial years ending 31 December 2021, 2022 and 2023
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proton”	Proton Holdings Berhad, a private limited liability company incorporated in Malaysia, and is owned as to 49.9% by Geely Holding Group
“Proton Group”	Proton and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC

“R&D”	research and development
“R&D Services and Technology Licensing Agreement”	the agreement entered into between the Company, Geely Holding and LYNK & CO on 4 November 2020 pursuant to which (i) the Group agreed to provide to the Geely Holding Group and LYNK & CO Group R&D and related technological support services, including research and development of new technologies and new products, technical verification and testing, technical consultation services, technical support services, technology licensing, etc.; and (ii) the Group agreed to procure from the Geely Holding Group R&D and related technological support services, including research and development of new technologies and new products, technical verification and testing, technical consultation, technical support services, technology licensing, etc. for a term from the date of the R&D Services and Technology Licensing Agreement to 31 December 2022
“Shares”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Services Agreement”	the agreement dated 5 October 2018 entered into between the Company and Geely Holding (i) for the sale of CKDs by the Group to the Geely Holding Group; and (ii) for the sale of CBUs, automobile parts and components by the Geely Holding Group to the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SX-11 Model”	a sport utility vehicle model developed and to be launched by the Group
“Target Assets”	the assets to be purchased by the Group from the Geely Holding Group pursuant to the Assets Acquisition Agreement, which comprise predominantly equipment for use in the Group’s research and development for the LYNK & CO-branded vehicles and Geely-Branded Vehicles related products such as vehicle engines and transmissions, as well as a small amount of office equipment and software system
“VCI”	沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Company Limited*), a limited liability company established in the PRC and a subsidiary of Volvo Car Corporation

“VF11 Model”	a multi-purpose vehicle model developed and launched by the Group
“Volvo”	Volvo Car Corporation, a limited liability company incorporated under the laws of Sweden and an indirect 97.8% owned subsidiary of Geely Holding
“Volvo Finance Cooperation Agreements”	the cooperation agreements entered into (i) between Genius AFC and 沃爾沃汽車銷售(上海)有限公司 (Volvo Car Distribution (Shanghai) Co., Ltd.*) and (ii) between Genius AFC and 沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Co., Ltd.*) on 11 December 2015 which sets out, among other things, the terms under which Genius AFC will provide vehicle financing services to the respective dealers and the retail customers for imported Volvo-branded vehicles and Volvo-branded vehicles manufactured domestically, respectively
“Volvo Group”	Volvo together with its subsidiaries
“Zhidou”	知豆電動汽車有限公司 (Zhidou Electric Vehicles Company Limited*), a limited liability company incorporated in the PRC, and is owned as to 26.44% by Geely Technology and 73.56% by other independent third parties
“Zhidou Group”	Zhidou and its subsidiaries
“Zhidou EV CKD Supply Agreement”	master agreement dated 5 October 2018 entered into between the Company and Geely Holding for the supply of CKDs for electric vehicles by the Group to the Geely Holding Group
“Zhejiang Haoqing”	浙江豪情汽車製造有限公司 (Zhejiang Haoqing Automobile Manufacturing Company Limited*), a private company incorporated in the PRC and is a wholly owned subsidiary of Geely Holding as at the date of this announcement
“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 an indirect 99% owned subsidiary of the Company as at the date of this announcement

“%”

per cent

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

Hong Kong, 4 November 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*