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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)

**(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE
RENEWAL OF THE VOLVO FINANCING ARRANGEMENTS**
**(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE EV FINANCING ARRANGEMENTS**

Financial Adviser to Geely Automobile Holdings Limited



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



**(A) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE VOLVO
FINANCING ARRANGEMENTS**

Reference is made to the Company's announcement dated 11 December 2015 in relation to the Volvo Finance Cooperation Agreements pursuant to which Genius AFC agreed to provide vehicle financing services to the Volvo Dealers and Volvo Retail Customers in the PRC. The Volvo Finance Cooperation Agreements have an initial term of three years ending on 31 December 2018, and will then continue unless and until terminated by either party by giving at least 6 months written notice, subject to the approvals from the regulators of the Company and the Independent Shareholders.

The maximum new financing amounts to be provided by Genius AFC to the Volvo Dealers are subject to the Volvo Annual Caps (Wholesale), which for the years ending 31 December 2019, 2020 and 2021 are proposed to be RMB22.3 billion, RMB27.2 billion and RMB30.2 billion, respectively. The maximum new financing amounts to be provided by Genius AFC

to the Volvo Retail Customers are subject to the Volvo Annual Caps (Retail), which for the years ending 31 December 2019, 2020 and 2021 are proposed to be RMB11.6 billion, RMB14.2 billion and RMB15.7 billion, respectively.

(B) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE EV FINANCING ARRANGEMENTS

On 5 October 2018 (after trading hours), Genius AFC and Geely Holding entered into the EV Finance Cooperation Agreement pursuant to which Genius AFC will provide vehicle financing services to the EV Dealers and the EV Retail Customers for their purchase of Geely EVs. The EV Finance Cooperation Agreement will have an initial term of three years ending on 31 December 2021, and will then continue unless and until terminated by either party by giving at least 6 months written notice, subject to the approvals from the regulators of the Company and the Independent Shareholders.

The maximum new financing amounts to be provided by Genius AFC to the EV Dealers are subject to the EV Annual Caps (Wholesale), which for the years ending 31 December 2019, 2020 and 2021 are proposed to be RMB3.3 billion, RMB5.4 billion and RMB3.6 billion, respectively. The maximum new financing amounts to be provided by Genius AFC to the EV Retail Customers are subject to the EV Annual Caps (Retail), which for the years ending 31 December 2019, 2020 and 2021 are proposed to be RMB2.5 billion, RMB4.8 billion and RMB3.7 billion, respectively.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Genius AFC is owned as to 80% by the Company and as to 20% by BNPP PF. As at the date of this announcement, (i) VCDC is wholly owned by Volvo, an indirect 99% owned subsidiary of Geely Holding; and (ii) VCIC is owned as to 50% by Volvo and 50% by Geely Holding which in turn is wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.41% of the total issued share capital of the Company. According, each of VCDC, VCIC and Geely Holding is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Although the Volvo Dealers and the Volvo Retail Customers, who are parties to the Volvo Wholesale Facility Agreements and the Volvo Retail Loan Agreements, respectively, are independent third parties to the Company and its connected persons, the Volvo Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the Volvo Dealers and the Volvo Retail Customers will use the loans provided by Genius AFC to purchase electric vehicles from VCDC and VCIC, who are connected persons of the Company under the Listing Rules.

Similarly, although the EV Dealers and the EV Retail Customers, who are parties to the EV Wholesale Facility Agreements and the EV Retail Loan Agreements, respectively, are independent third parties to the Company and its connected persons, the EV Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the EV Dealers and the EV Retail Customers will use the loans provided by Genius AFC to purchase vehicles from Geely Holding, who is a connected person of the Company under the Listing Rules.

As the applicable percentage ratios for the Volvo Annual Caps and the EV Annual Caps on an aggregated basis exceed 5% annually, the renewal of the Volvo Finance Cooperation Agreements and the entering into of the EV Finance Cooperation Agreement are subject to the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders with respect to the renewal of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the EV Finance Cooperation Agreement (including the EV Annual Caps), and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the EV Finance Cooperation Agreement (including the EV Annual Caps) are fair and reasonable and in the interests of the Company and the Independent Shareholders.

A circular containing, among other things, (i) information about the Volvo Financing Arrangements and the EV Financing Arrangements; (ii) the recommendation of the Independent Board Committee on the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the EV Finance Cooperation Agreement (including the EV Annual Caps); (iii) the advice from the Independent Financial Adviser on the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the EV Finance Cooperation Agreement (including the EV Annual Caps); 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 29 October 2018.

(A) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE VOLVO FINANCING ARRANGEMENTS

Reference is made to the Company's announcement dated 11 December 2015 in relation to the Volvo Finance Cooperation Agreements pursuant to which Genius AFC agreed to provide vehicle financing services to the Volvo Dealers and Volvo Retail Customers in the PRC.

Details of the Volvo Finance Cooperation Agreements are set out below:

Date

11 December 2015

Parties

- (i) Genius AFC and VCDC for the Volvo Finance Cooperation Agreement (Imported Vehicles); and
- (ii) Genius AFC and VCIC for the Volvo Finance Cooperation Agreement (Domestic Vehicles)

Genius AFC is a limited liability company incorporated in the PRC, and is owned as to 80% by the Company and as to 20% by BNPP PF as at the date of this announcement. Genius AFC is principally engaged in the provision of auto finance to vehicle dealers and retail customers for purchase of automobiles in the PRC.

VCDC is a limited liability company incorporated in the PRC, and is wholly owned by Volvo, an indirect 99% owned subsidiary of Geely Holding as at the date of this announcement. VCDC is principally engaged in the distribution of imported Volvo-branded vehicles in the PRC.

VCIC is a limited liability company incorporated in the PRC, and is owned as to (i) 50% by Volvo, an indirect 99% owned subsidiary of Geely Holding; and (ii) 50% by Geely Holding as at the date of this announcement. VCIC is principally engaged in the distribution of Volvo-branded vehicles manufactured domestically in the PRC.

Geely Holding is principally engaged in the sale of automobiles and related parts and components wholesale and retail business. As at the date of this announcement, Geely Holding is wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.41% of the total issued share capital of the Company. Accordingly, each of VCDC and VCIC is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Subject matter

The Volvo Finance Cooperation Agreement (Imported Vehicles) sets out the terms under which Genius AFC will provide vehicle financing services to the Volvo Dealers and the Volvo Retail Customers for imported Volvo-branded vehicles. The Volvo Finance Cooperation Agreement (Domestic Vehicles) sets out the terms under which Genius AFC will provide vehicle financing services to the Volvo Dealers and the Volvo Retail Customers for Volvo-branded vehicles manufactured domestically. Such terms include (i) the provision of wholesale financing to the

Volvo Dealers to assist them to buy Volvo-branded vehicles and eventually selling such vehicles to the Volvo Retail Customers; and (ii) the provision of retail financing to the Volvo Retail Customers to assist them to buy Volvo-branded vehicles from the Volvo Dealers.

Term

The Volvo Finance Cooperation Agreements have an initial term of three years, and will then continue unless and until terminated by either party by giving at least six months written notice. Such continuation/renewal will be subject to the approval of (i) the regulators of the Company (that is, the Stock Exchange and/or the Securities and Futures Commission of Hong Kong, where applicable); and (ii) the Independent Shareholders.

Termination

VCDC may terminate the Volvo Finance Cooperation Agreement (Imported Vehicles) and VCIC may terminate the Volvo Finance Cooperation Agreement (Domestic Vehicles) with immediate effect if (i) Genius AFC becomes insolvent; (ii) there is a change in control of Genius AFC; (iii) Genius AFC materially breaches, or materially fails to comply with, the Volvo Finance Cooperation Agreements and such failure is not capable of remedy or is capable of remedy but is not remedied within 30 days of VCDC and/or VCIC giving Genius AFC written notice of such breach subject to the remediation clause under the Volvo Finance Cooperation Agreements; or (iv) the relevant trademark agreement terminates due to material breach by Genius AFC.

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

Principal terms regarding the mode of cooperation between (i) Genius AFC; and (ii) VCDC and VCIC

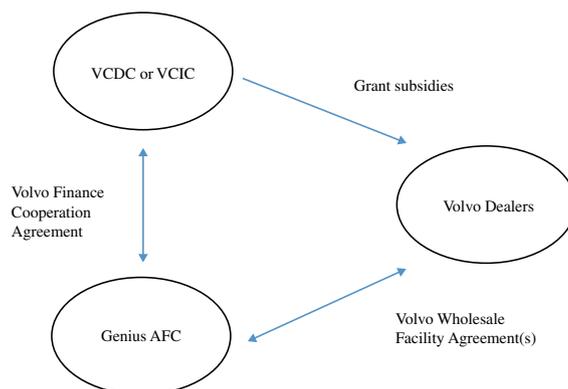
(i) Cooperation

VCDC and VCIC will (a) encourage actively and diligently the Volvo Dealers to use Genius AFC for the Volvo Wholesale Financing and the Volvo Retail Financing; (b) according to the agreed regional coverage, for a Volvo Dealer who is covered by the Volvo Wholesale Financing, use its best effort to grant subsidies to the benefit of such Volvo Dealer in order to promote the Volvo Wholesale Financing to such Volvo Dealer; and (c) for a Volvo Dealer who is covered by the Volvo Retail Financing, promote the Volvo Retail Financing to the Volvo Retail Customers.

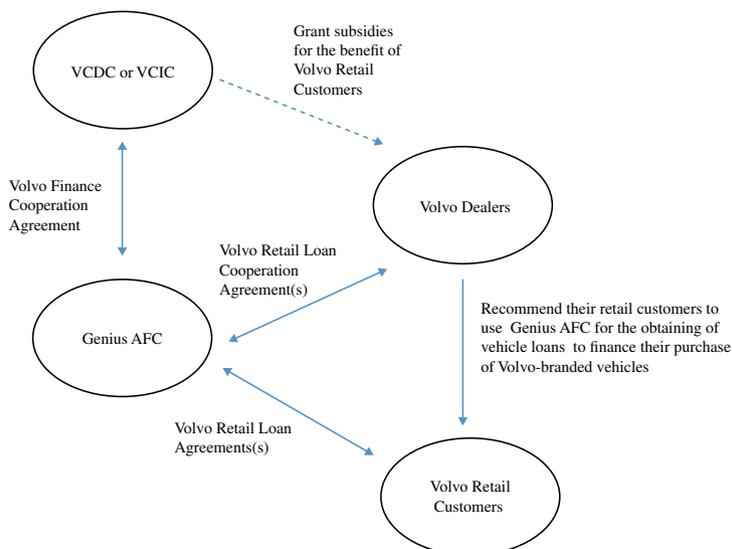
Genius AFC will not be the exclusive provider of vehicle loans and other services particularly described in the Volvo Finance Cooperation Agreements to the Volvo Dealers or the Volvo Retail Customers, and other providers are and will also be appointed by VCDC and VCIC to provide similar services. Notwithstanding the foregoing, should another independent vehicle financing company offer vehicle financing services under the same conditions, Genius AFC will be the preferred partner of VCDC and VCIC for the provision of vehicle financing services.

The modes of cooperation between (a) Genius AFC; and (b) VCDC and VCIC for the Volvo Wholesale Financing and Volvo Retail Financing are summarised as below:

(1) Volvo Wholesale Financing



(2) Volvo Retail Financing



Pursuant to the Volvo Finance Cooperation Agreements, the parties have agreed to work together to undertake promotional activities, incentives and training to increase the financing penetration of Genius AFC and sale of Volvo-branded vehicles in the PRC.

(ii) Pricing policy

Genius AFC would enter into the Volvo Wholesale Facility Agreements with the Volvo Dealers for the provision of the Volvo Wholesale Financing and the Volvo Retail Loan Agreements with the Volvo Retail Customers for the provision of the Volvo Retail Financing. Genius AFC will ensure that the terms of the Volvo Wholesale Facility Agreements and the Volvo Retail Loan Agreements are competitive at all times during the term of the Volvo Finance Cooperation Agreements, and such terms will be in line with general auto finance market practice. Notwithstanding the foregoing, Genius AFC will remain the sole decision maker for the final pricing of the services to be applied to the Volvo Dealers and the Volvo Retail Customers.

The Volvo Finance Cooperation Agreements provide guidance with respect to the interest rates charged by Genius AFC for the provision of the Volvo Wholesale Financing to the Volvo Dealers and the Volvo Retail Financing to the Volvo Retail Customers. The interest rates, at the time of each setting, for the loans provided by Genius AFC to the Volvo Dealers and the Volvo 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 is not the exclusive provider of financing services to the Volvo Dealers and the Volvo Retail Customers, which are independent third parties to Genius AFC, the sales and marketing department of Genius AFC would communicate with the Volvo Dealers on an ongoing basis to keep abreast of the market and to ensure that the terms of the Volvo Wholesale Financing and the Volvo Retail Financing offered by Genius AFC are competitive at all times in light of the fierce competition in the PRC auto finance market. Please refer to the paragraph headed “Relevant internal control measures – Internal control within Genius AFC” in this announcement for the internal control procedures for determining the pricing of the services provided by Genius AFC.

(iii) Lending risk

Genius AFC was primarily regulated by the China Banking Regulatory Commission, whose authority has now been transferred to the newly formed China Banking and Insurance Regulatory Commission. In addition, the People’s Bank of China and the Ministry of Finance of the PRC also have regulatory oversight of the auto finance industry. The China Banking Regulatory Commission and the People’s Bank of China 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 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 Volvo Dealer or any Volvo 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.

In relation to the credit risk assessment procedures for the Volvo Wholesale Financing, the risk department of Genius AFC would review the credit applications with supporting materials submitted by the Volvo Dealers and prepare proposals for the granting of credit lines. The risk control committee of Genius AFC would appraise and make decisions on the granting of credit lines. The credit application should be subject to approval by the board of Genius AFC for granting of credit lines exceeding the internal threshold set by Genius AFC. When assessing credit applications of the Volvo Dealers, factors that would be taken into consideration include, among other things, company background, experience in the automobile industry, capital structure, debt-to-asset ratio, profitability and financial performance of the relevant Volvo Dealers. The Volvo Dealers who are granted credit lines by Genius AFC are required to submit to Genius AFC their financial reports every month and audited accounts every year which would be reviewed and assessed by the risk department of Genius AFC. Based on the assessment results, Genius AFC would consider whether to adjust the credit line granted should there be any substantial changes in the financial and operating performance of such Volvo Dealers.

In relation to the credit risk assessment procedures for the Volvo Retail Financing, Genius AFC utilises a computerised internal risk assessment system, which enables Genius AFC to perform credit risk assessment procedures using big data analytics. For the purpose of risk assessment, the risk department of Genius AFC would set specification rules for the retail products to determine whether or not to accept the loan application of a retail applicant, based on the retail applicant's earnings, credit history and repayment capability. The risk control committee of Genius AFC would then review and approve the specification rules for the retail products. Based on the evaluation performed by the computerised internal risk assessment system, which is configured and modified by the risk department from time to time, the decisions on whether to grant the loan to the retail applicant would be made by the system and the retail underwriting team of Genius AFC's operation department. The general responsibilities of the underwriting team also include checking the authenticity of, and reviewing, the information and materials provided by the retail applicants, and assessing their credibility in order to make final credit decisions on the loan applications. Upon granting of the loan to a Volvo Retail Customer, the collection team of Genius AFC's operation department would monitor the performance of such loan and would follow up on any delinquency and/or default in payment.

(iv) Loan term and credit limit

The maximum loan term for each Volvo Dealer will be 360 days. The maximum loan term for each Volvo Retail Customer will be 60 months.

(v) *Subsidies*

Genius AFC will provide financing to all the Volvo Dealers according to the sales objectives and regional coverage agreed with VCDC and VCIC. VCDC and VCIC may from time to time offer Volvo Dealers support with their vehicle financing and may choose to pay the interests accruing under the relevant Volvo Wholesale Facility Agreements on the Volvo Dealers' behalf for an agreed period of time. In practice, VCDC and VCIC would provide subsidies to (i) the Volvo Dealers who enter into the Volvo Wholesale Facility Agreements with Genius AFC for the Volvo Wholesale Financing; and (ii) the Volvo Dealers who enter into the Volvo Retail Loan Cooperation Agreements with Genius AFC for the benefits of the Volvo Retail Customers in the Volvo Retail Financing, subject to the final assessment of the market situation, such as sales performance of the Volvo-branded vehicles, by VCDC and VCIC. The terms and period of such subsidies will be determined by VCDC and VCIC in their respective quarterly sales incentive policies.

(vi) *Security*

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

Principal terms applied to the Volvo Wholesale Facility Agreements and the Volvo Retail Loan Agreements

(i) *Volvo Wholesale Facility Agreements*

For the Volvo Wholesale Financing, Genius AFC would enter into the Volvo Wholesale Facility Agreements with the Volvo Dealers, pursuant to which Genius AFC will provide vehicle financing to such Volvo Dealers to facilitate their purchase of Volvo-branded vehicles. The terms of the Volvo Wholesale Facility Agreements (including, among other things, pricing, loan term, credit limits, subsidies etc.) are consistent with the terms of the Volvo Finance Cooperation Agreements as disclosed above.

(ii) *Volvo Retail Loan Agreements*

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

For the Volvo Retail Financing, Genius AFC would further enter into the Volvo Retail Loan Agreements with the Volvo Retail Customers, pursuant to which Genius AFC will provide vehicle financing to such Volvo Retail Customers to facilitate their purchase of

Volvo-branded vehicles. The terms of the Volvo Retail Loan Agreements (including, among other things, pricing, loan term, credit limits etc.) are consistent with the terms of the Volvo Finance Cooperation Agreements as disclosed above.

Volvo Annual Caps

Volvo Annual Caps (Wholesale)

The table below sets out (i) the historical transaction amounts for each of the two years ended 31 December 2017 and the seven months ended 31 July 2018; and (ii) the annual caps for the Volvo Wholesale Financing for each of the three years ending 31 December 2018 and their respective utilisation rates.

	Historical transaction amount for the year ended 31 December		Historical transaction amount for the seven months ended 31 July	Approved annual caps for the year ended/ending 31 December		
	2016	2017	2018	2016	2017	2018
	RMB million (Audited)	RMB million (Audited)	RMB million (Unaudited)	RMB million	RMB million	RMB million
New financing amounts provided by Genius AFC to the Volvo Dealers under the Volvo Wholesale Financing	1,197	3,546	2,688	30,000	37,000	49,000
Utilisation rate of annual caps				4%	10%	5% (Note)

Note: Utilisation rate of the annual cap for the year ending 31 December 2018 was calculated by dividing the historical transaction amount for the seven months ended 31 July 2018 by the approved annual cap for the full financial year ending 31 December 2018.

The low utilisation rates of the annual caps for the two years ended 31 December 2017 were primarily due to the lower-than-expected wholesale finance coverage of the Volvo Wholesale Financing. In this regard, Genius AFC has revised the estimated wholesale finance coverage of the Volvo Wholesale Financing downward when determining the Volvo Annual Caps (Wholesale) for the three years ending 31 December 2021 (please refer to the paragraph headed “Volvo Annual Caps – Basis of determination of the Volvo Annual Caps” in this announcement for further details).

The table below sets out the proposed Volvo Annual Caps (Wholesale) for each of the three years ending 31 December 2021.

Proposed annual caps		
for the year ending 31 December		
2019	2020	2021
<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>

Maximum new financing amounts to be provided by Genius AFC to the Volvo Dealers under the Volvo Wholesale Financing

	22,275	27,243	30,213
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Volvo Annual Caps (Retail)

The table below sets out (i) the historical transaction amounts for each of the two years ended 31 December 2017 and the seven months ended 31 July 2018; and (ii) the annual caps for the Volvo Retail Financing for each of the three years ending 31 December 2018 and their respective utilisation rates.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the seven months ended 31 July	Approved annual caps for the year ended/ending 31 December		
	2016	2017	2018	2016	2017	2018
	<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>
New financing amounts provided by Genius AFC to the Volvo Retail Customers under the Volvo Retail Financing	301	1,026	660	7,000	9,000	11,000
Utilisation rate of annual caps				4%	11%	6% (Note)

Note: Utilisation rate of the annual cap for the year ending 31 December 2018 was calculated by dividing the historical transaction amount for the seven months ended 31 July 2018 by the approved annual cap for the full financial year ending 31 December 2018.

The low utilisation rates of the annual caps for the two years ended 31 December 2017 were primarily due to the lower-than-expected retail financing penetration of the Volvo Retail Financing. During the two years ended 31 December 2017, Genius AFC, which was incorporated in August 2015, was still in an early development stage and in the process of establishing and refining its business processes, sales and marketing capability, customer database and product offerings. Also, it took time and efforts for Genius AFC to introduce and promote the Volvo Wholesale Financing to the Volvo Dealers, and the Volvo Retail Financing to the Volvo Dealers for their onward promotion to the Volvo Retail Customers. The above factors had resulted in the lower-than-expected retail financing penetration of the Volvo Retail Financing during the two years ended 31 December 2017. Notwithstanding the foregoing, with the accumulation of experience, business network, customers and customer database over the past three years, Genius AFC achieved considerable growth in business volume recently. It is expected that the retail financing penetration of the Volvo Retail Financing will improve alongside the enhanced competitiveness of Genius AFC and its products in the PRC auto finance industry.

The table below sets out the proposed Volvo Annual Caps (Retail) for each of the three years ending 31 December 2021.

	Proposed annual caps for the year ending 31 December		
	2019	2020	2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Maximum new financing amounts to be provided by Genius AFC to the Volvo Retail Customers under the Volvo Retail Financing	11,583	14,166	15,711

Basis of determination of the Volvo Annual Caps

When determining the proposed Volvo Annual Caps (Wholesale), Genius AFC has taken into account (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; (ii) the projected unit sales of Volvo-branded vehicles to the Volvo Dealers for each of the three years ending 31 December 2021, which in turn was determined with reference to the anticipated number of Volvo Dealers; (iii) the projected average selling price of Volvo-branded vehicles to the Volvo Dealers for each of the three years ending 31 December 2021, which in turn was determined based on the internal pricing policy of Volvo-branded vehicles to retail customers, taking into consideration the proposed marketing incentives to be provided to the Volvo Dealers; and (iv) the estimated wholesale finance coverage of the Volvo Wholesale Financing of 30% for each of the three years ending 31 December 2021. The above wholesale finance coverage represents the estimated percentage of the Volvo Dealers' purchases which will be financed by loans provided by Genius AFC. When estimating the said wholesale finance coverage of the Volvo Wholesale Financing, Genius AFC

has taken into account the current status and development of its business, and has also made reference to the historical average wholesale finance coverage of the auto finance companies in the PRC in 2017 of 17.48% as stated in “2017 中國汽車金融公司行業發展報告 (the 2017 China Auto Finance Industry Development Report)” (the “**Report**”) issued by 中國銀行業協會汽車金融專業委員會 (the China Banking Association Professional Committee of Auto Finance). In determining the Volvo Annual Caps (Wholesale), Genius AFC has adopted a wholesale finance coverage of 30% for each of the three years ending 31 December 2021, representing a buffer of 12.52% over the historical average wholesale finance coverage of the auto finance companies in the PRC in 2017 of 17.48%, after taking into account (i) the relationship between Genius AFC and VCDC and VCIC, and that Genius AFC is the preferred partner of VCDC and VCIC; (ii) the development potential of the Volvo Wholesale Financing in light of the subsidies that may be granted to the benefits of the Volvo Dealers for the promotion of the Volvo Wholesale Financing, as well as the promotional activities, incentives and training to be undertaken by Genius AFC and VCDC and VCIC to increase the financing penetration of Genius AFC and the sale of Volvo-branded vehicles in the PRC as stipulated in the Volvo Finance Cooperation Agreements.

When determining the proposed Volvo Annual Caps (Retail), Genius AFC has taken into account (i) the historical transaction amounts for the two years ended 31 December 2017 and the seven months ended 31 July 2018; (ii) the projected unit sales of Volvo-branded vehicles to the Volvo Retail Customers for each of the three years ending 31 December 2021, which in turn was determined with reference to the anticipated number of Volvo Dealers and the sales volume projection of the Volvo-branded vehicles; (iii) the projected average retail selling price of Volvo-branded vehicles for each of the three years ending 31 December 2021, which in turn was determined based on the internal pricing policy for the Volvo-branded vehicles to retail customer; and (iv) the estimated retail financing penetration of the Volvo Retail Financing of 30% for each of the three years ending 31 December 2021, respectively. The above retail financing penetration represents the estimated percentage of the Volvo Retail Customers’ purchases which will be financed by loans provided by Genius AFC. When determining the said retail financing penetration of the Volvo Retail Financing, Genius AFC has taken into account the current status and development of its business, and has also made reference to the historical average retail financing penetration of the auto finance companies in the PRC in 2017 of 20.0% as stated in the Report. In determining the Volvo Annual Caps (Retail), Genius AFC has adopted a retail financing penetration of 30% for each of the three years ending 31 December 2021, representing a buffer of 10% over the historical average retail financing penetration of the auto finance companies in the PRC in 2017 of 20.0%, after taking into account (i) the relationship between Genius AFC and VCDC and VCIC, and that Genius AFC is the preferred partner of VCDC and VCIC; (ii) the development potential of the Volvo Retail Financing in light of the subsidies that may be granted for the promotional campaigns in relation to the retail financing offered by Genius AFC to the Volvo Retail Customers from the Volvo Dealers as well as the promotional activities, incentives and training to be undertaken by Genius AFC and Volvo to increase the retail financing penetration of Genius AFC and the sale of Volvo-branded vehicles in the PRC as stipulated in the Volvo Finance Cooperation Agreements.

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 Volvo Annual Caps for the three years ending 31 December 2021 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the renewal of Volvo Finance Cooperation Agreements

The renewal of the Volvo Finance Cooperation Agreements will be subject to the approvals of the regulators of the Company (that is, the Stock Exchange and/or (where applicable) the Securities and Futures Commission of Hong Kong) and the Independent Shareholders.

The conditions precedent above are to ensure that the Volvo Finance Cooperation Agreements will only be renewed upon the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules having been complied with.

(B) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE EV FINANCING ARRANGEMENTS

Reference is made to the Company's announcement dated 5 October 2018 in relation to the entering into of the Electric Vehicle Agreement among the Company, Geely Holding and GGL, pursuant to which the Group conditionally agreed to sell complete build-up unit of electric vehicles (being complete electric vehicles after final assembly) to the Geely Holding Group and the GGL Group. As disclosed in the said announcement, the Group has been selling electric vehicles manufactured by it through the Geely Holding Group in certain regions of the PRC as only certain subsidiaries of the Geely Holding Group are eligible to the new energy vehicle subsidies granted by the PRC government in those regions 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.

On 5 October 2018 (after trading hours), Genius AFC and Geely Holding entered into the EV Finance Cooperation Agreement pursuant to which Genius AFC will provide vehicle financing services to the EV Dealers and the EV Retail Customers for their purchase of Geely EVs to be sold to the Geely Holding Group by the Group pursuant to the Electric Vehicle Agreement. Details of the EV Finance Cooperation Agreement is set out below:

Date

5 October 2018 (after trading hours)

Parties

Genius AFC and Geely Holding

Please refer to the paragraph headed “(A) Continuing connected transactions in relation to the Volvo Financing Arrangements – Parties” for details of Genius AFC and Geely Holding.

Subject matter

The EV Finance Cooperation Agreement sets out the terms under which Genius AFC will provide vehicle financing services to the EV Dealers and the EV Retail Customers, including (i) the provision of wholesale financing to the EV Dealers to assist them to buy Geely EVs and eventually selling such Geely EVs to the EV Retail Customers; and (ii) the provision of retail financing to the EV Retail Customers to assist them to buy Geely EVs from the EV Dealers.

Term

The EV 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 and/or the Securities and Futures Commission of Hong Kong, where applicable); and (ii) the Independent Shareholders.

Termination

Geely Holding may terminate the EV 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 EV 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 EV Finance Cooperation Agreement.

Genius AFC may terminate the EV 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 EV Finance Cooperation Agreement or any other agreement entered into or in connection with the EV 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 EV Finance Cooperation Agreement.

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

(i) Cooperation

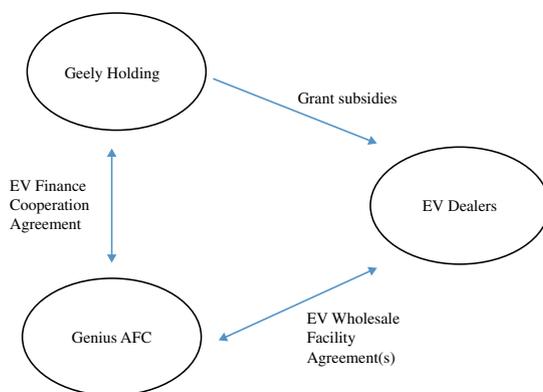
Geely Holding will (a) use its reasonable endeavours to procure the EV Dealers to use Genius AFC for the EV Wholesale Financing and EV Retail Financing; (b) for a EV Dealer who is covered by the EV Wholesale Financing, use its reasonable endeavours to

grant subsidies to the benefit of such EV Dealer in order to promote the EV Wholesale Financing to such EV Dealer; and (c) for a EV Dealer who is covered by the EV Retail Financing, use its reasonable endeavours to grant subsidies for the promotional campaigns in relation to the EV Retail Financing offered by Genius AFC to the EV Retail Customers from such EV Dealer, provided that the final choice of financial partner will always be made by the EV Dealers or the EV Retail Customers.

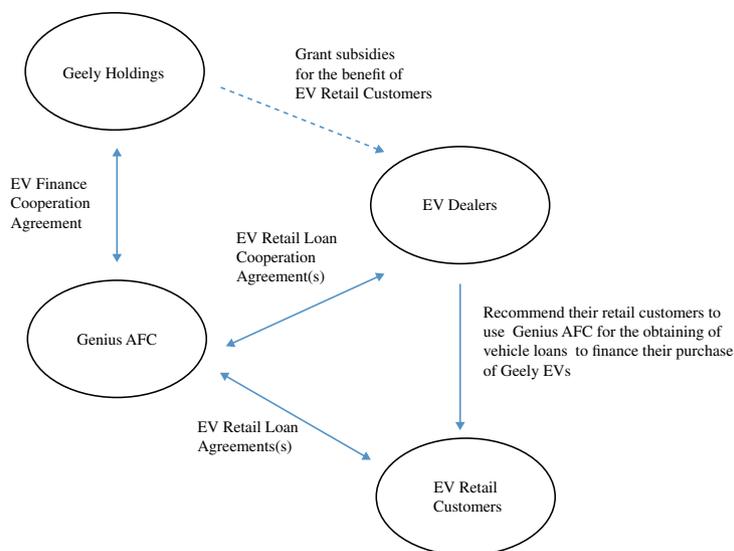
Genius AFC will not be the exclusive provider of vehicle loans and other services particularly described in the EV Finance Cooperation Agreement to the EV Dealers or the EV Retail Customers, and other providers are and will also be appointed by Geely Holding to provide similar services. Notwithstanding the foregoing, should another independent vehicle financing company offer vehicle financing services under the same conditions, Genius AFC will be the preferred partner of Geely Holding for the provision of vehicle financing services.

The mode of cooperation between Genius AFC and Geely Holding for the EV Wholesale Financing and EV Retail Financing are summarised as below:

(1) EV Wholesale Financing



(2) *EV Retail Financing*



Pursuant to the EV Finance Cooperation Agreement, the parties have agreed to work together to undertake promotional activities, incentives and training to increase the financing penetration of Genius AFC and the sale of Geely EVs in the PRC.

(ii) *Pricing policy*

Genius AFC will enter into the EV Wholesale Facility Agreements with the EV Dealers for the provision of the EV Wholesale Financing and the EV Retail Loan Agreements with the EV Retail Customers for the provision of the EV Retail Financing. Genius AFC will ensure that the terms of the EV Wholesale Facility Agreements and the EV Retail Loan Agreements are competitive at all times during the term of the EV Finance Cooperation Agreement, and such terms will be in line with general auto finance market practice. Notwithstanding the foregoing, Genius AFC will remain the sole decision maker for the final pricing to be applied to the EV Dealers and the EV Retail Customers.

The EV Finance Cooperation Agreement provides guidance with respect to the interest rates charged by Genius AFC for the provision of the EV Wholesale Financing to the EV Dealers and the EV Retail Financing to the EV Retail Customers. The interest rates, at the time of each setting, for the loans provided by Genius AFC to the EV Dealers and the EV 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 EV Dealers and the EV Retail Customers, which are independent third parties to Genius AFC, the sales and marketing department of Genius AFC will communicate with the EV Dealers on an ongoing basis to keep abreast of the market and to ensure that the terms of the EV Wholesale Financing and the EV Retail Financing offered by Genius AFC

are competitive at all times in light of the fierce competition in the PRC auto finance market. Please refer to the paragraph headed “Relevant internal control measures – Internal control within Genius AFC” in this announcement for the internal control procedures for determining the pricing of the services provided by Genius AFC.

(iii) *Lending risk*

Genius AFC was primarily regulated by the China Banking Regulatory Commission, whose authority has now been transferred to the newly formed China Banking and Insurance Regulatory Commission. In addition, the People’s Bank of China, and the Ministry of Finance of the PRC also have regulatory oversight of the auto finance industry. The China Banking Regulatory Commission and the People’s Bank of China 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 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 EV Dealer or any EV 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 EV Wholesale Financing and the EV Retail Financing, Genius AFC will adopt similar credit risk assessment and loan approval procedures as those for the Volvo Wholesale Financing and the Volvo Retail Financing. Please refer to the paragraph headed “(A) Continuing connected transactions in relation to the Volvo Financing Arrangements – Principal terms regarding the mode of cooperation between (i) Genius AFC; and (ii) VCDC and VCIC – (iii) Lending risk” for further details.

(iv) *Loan term and credit limit*

The maximum loan term for each EV Dealer will be 360 days. The maximum loan term for each EV Retail Customer will be 60 months.

(v) *Subsidies*

Genius AFC will provide financing to all the EV Dealers according to the sales objectives and regional coverage agreed with Geely Holding. Geely Holding may from time to time offer EV Dealers support with their vehicle financing and stocking costs and may choose to pay the interest accruing under the relevant EV Wholesale Facility Agreements on the EV Dealers’ behalf for an agreed period of time. In practice, Geely Holding will provide subsidies to (i) the EV Dealers who enter into the EV Wholesale Facility Agreements with Genius AFC for the EV Wholesale Financing; and (ii) the EV Dealers who enter into the

EV Retail Loan Cooperation Agreements with Genius AFC for the benefits of the retail borrowers in the EV Retail Financing, subject to the final assessment of the market situation (such as sales performance of the Geely EVs) by Geely Holding. The terms and period of such subsidies will be determined by Geely Holding in its quarterly sales incentive policies.

(vi) *Security*

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

Principal terms to be applied to the EV Wholesale Facility Agreements and the EV Retail Loan Agreements

(i) *EV Wholesale Facility Agreements*

After commencement of the EV Wholesale Financing, Genius AFC will enter into the EV Wholesale Facility Agreements with the EV Dealers, pursuant to which Genius AFC will provide vehicle financing to such EV Dealers to facilitate their purchase of Geely EVs. The terms of the EV Wholesale Facility Agreements (including, among other things, pricing, loan term, credit limits, subsidies etc.) are expected to be consistent with the terms of the EV Finance Cooperation Agreement as disclosed above.

(ii) *EV Retail Loan Agreements*

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

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

EV Annual Caps

EV Annual Caps (Wholesale)

There are no historical transaction amounts for the EV Wholesale Financing as it is expected to commence in the first quarter of 2019. The table below sets out the proposed EV Annual Caps (Wholesale) for each of the three years ending 31 December 2021.

	Proposed annual caps for the year ending		
	31 December		
	2019	2020	2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Maximum new financing amounts to be provided by Genius AFC to the EV Dealers under the EV Wholesale Financing	3,276	5,406	3,626

EV Annual Caps (Retail)

There are no historical transaction amounts for the EV Retail Financing as it is expected to commence in the first quarter of 2019. The table below sets out the proposed EV Annual Caps (Retail) for each of the three years ending 31 December 2021.

	Proposed annual caps for the year ending		
	31 December		
	2019	2020	2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Maximum new financing amounts to be provided by Genius AFC to the EV Retail Customers under the EV Retail Financing	2,511	4,834	3,705

Basis of determination of the EV Annual Caps

When determining the proposed EV Annual Caps (Wholesale), Genius AFC has taken into account (i) the historical sales volume and average selling price of Geely EVs to the EV Dealers; (ii) the projected unit sales of Geely EVs to the EV Dealers for each of the three years ending 31 December 2021, which in turn was determined with reference to the anticipated number of EV Dealers; (iii) the projected average selling price of Geely EVs to the EV Dealers for each of the years ending 31 December 2021, which in turn was determined based on the internal pricing policy of Geely EVs to retail customers, taking into consideration the proposed marketing incentives to be provided to the EV Dealers; and (iv) the estimated wholesale finance

coverage of the EV Wholesale Financing of 30% for each of the three years ending 31 December 2021. The above wholesale finance coverage represents the estimated percentage of the EV Dealers' purchases which will be financed by loans provided by Genius AFC. When estimating the said wholesale finance coverage, Genius AFC has taken into account the current status and development of its business, and has also made reference to the historical average wholesale finance coverage of the auto finance companies in the PRC in 2017 of 17.48% as stated in the Report. In determining the EV Annual Caps (Wholesale), Genius AFC has adopted a wholesale finance coverage of 30% for each of the years ending 31 December 2021, representing a buffer of 12.52% over the historical average wholesale finance coverage of the auto finance companies in the PRC in 2017 of 17.48%, after taking into account (i) the relationship between Genius AFC and Geely Holding and that Genius AFC is the preferred partner of Geely Holding; (ii) the development potential of the EV Wholesale Financing in light of the subsidies that may be granted to the benefits of the EV Dealers for the promotion of the EV Wholesale Financing, as well as the promotional activities, incentives and training to be undertaken by Genius AFC and Geely Holding to increase the financing penetration of Genius AFC and the sale of Geely EVs in the PRC as stipulated in the EV Finance Cooperation Agreement.

When determining the proposed EV Annual Caps (Retail), Genius AFC has taken into account (i) the historical sales volume and average selling price of Geely EVs to the EV Retail Customers; (ii) the projected number of unit sales of Geely EVs to the EV Retail Customers for each of the three years ending 31 December 2021, which in turn was determined with reference to the anticipated number of the EV Dealers, and the sales volume projection of the EV Dealers; (iii) the projected average retail selling price of Geely EVs for each of the three years ending 31 December 2021, which in turn was determined based on the internal pricing policy for the Geely EVs to retail customer; and (iv) the estimated retail financing penetration of the EV Retail Financing of 30%, 35% and 40% for each of the three years ending 31 December 2021, respectively. The above retail financing penetration represents the estimated percentage of the EV Retail Customers' purchases which will be financed by loans provided by Genius AFC. When determining the said retail financing penetration of the EV Retail Financing, Genius AFC has taken into account the current status and development of its business, and has also made reference to the historical average retail financing penetration of the auto finance companies in the PRC in 2017 of 20.0% as stated in the Report. In determining the EV Annual Caps (Retail), Genius AFC has adopted a retail financing penetration of 30%, 35% and 40% for each of the three years ending 31 December 2021, representing a buffer of 10%, 15% and 20%, respectively, over the historical average retail financing penetration of the auto finance companies in the PRC in 2017 of 20%, after taking into account (i) the relationship between Genius AFC and Geely Holding, and that Genius AFC is the preferred partner of Geely Holding; (ii) the development potential of the EV Retail Financing in light of the subsidies that may be granted for the promotional campaigns in relation to the retail financing offered by Genius AFC to the EV Retail Customers from the EV Dealers as well as the promotional activities, incentives and training to be undertaken by Genius AFC and EV to increase the retail financing penetration of Genius AFC and the sale of Geely EVs in the PRC as stipulated in the EV Finance Cooperation Agreement.

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 EV Annual Caps for the three years ending 31 December 2021 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the EV Finance Cooperation Agreement

The EV Finance Cooperation Agreement will be subject to the approvals of the regulators of the Company (that is, the Stock Exchange and/or (where applicable) the Securities and Futures Commission of Hong Kong) and the Independent Shareholders.

The conditions precedent above are to ensure that the EV Finance Cooperation Agreement will only come into effect upon the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules having been complied with.

RELEVANT INTERNAL CONTROL MEASURES

Internal control within Genius AFC

All loan and product pricing proposals (including any subsequent modifications thereof) are prepared by Genius AFC's sales and marketing department. In order to ensure that the pricing policies as stipulated in the Volvo Finance Cooperation Agreements and the EV Finance Cooperation Agreement are adhered to, the finance department of Genius AFC will monitor the fluctuations of interest rates in the market on at least a monthly basis (or more frequently if it is determined necessary), which include, among others, the PBOC base lending rates, so as to ensure that the interest rates offered by Genius AFC will be higher than the PBOC base lending rates for similar types of loans under similar terms and conditions. In addition, Genius AFC's sales and marketing department will communicate with the Dealers on an ongoing basis to ensure that the terms of the Wholesale Facility Agreements and the Retail Loan 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 in a finance committee meeting at least monthly (or more frequently if it is determined necessary). These reports are distributed to sales and marketing department, finance department, operation department, risk department, legal and compliance department and information 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 base lending rates, Shanghai interbank offered rates, and interest rates of bank note, asset-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 operational feasibility by assessing whether the existing manpower, software system, standard and procedures and other internal resources are sufficient and comprehensive enough for the product pricing proposals, and considering whether training is required for Genius AFC's staff on any new product pricing proposals), risk 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 the loan and product pricing proposals comply with applicable law and regulations), and information technology department (which is responsible for making the necessary changes or enhancement to the existing software systems in respect of the Wholesale Financing and the Retail Financing to support any new loan and product pricing proposals if the existing software system is insufficient to satisfy the operational requirements of the new loan and product pricing proposals). 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 of Genius AFC, the chief financial officer of Genius AFC, the respective heads of risk, sales and marketing, operation, and finance departments.

Further, to ensure the actual new financing amounts will not exceed the Volvo Annual Caps and/or the EV Annual Caps, Genius AFC will prepare specific monthly reports to show the actual transaction volumes and amounts as compared to the Volvo Annual Caps and EV Annual Caps. Once the actual transaction amounts reached certain levels (being 70% of the Volvo Annual Caps or EV Annual Caps for the relevant year), it will trigger an alert to the management to either control the volume for the related business to ensure the Volvo Annual Caps and the EV Annual Caps under the Volvo Finance Cooperation Agreements and the EV Finance Cooperation Agreement would not be exceeded or to commence necessary procedures to revise the Volvo Annual Caps and/or the EV Annual Caps in accordance with the relevant requirements under Chapter 14A of the Listing Rules.

The above internal control procedures are to ensure the pricing policies as stipulated in the Volvo Finance Cooperation Agreements and the EV Finance Cooperation Agreement are 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.

REASONS FOR AND BENEFITS OF THE VOLVO FINANCING ARRANGEMENTS AND THE EV FINANCING ARRANGEMENTS

The Group is principally engaged in the manufacturing and trading of automobiles and automobile parts and related automobile components.

Genius AFC is an auto finance company owned as to 80% by the Company and as to 20% by BNPP PF, and is principally engaged in providing auto finance to vehicle dealers and retail customers for the purchase of automobiles.

In line with the practice of major global automobile companies, most of the PRC automobile companies have established auto finance subsidiaries or associated companies to provide auto finance services to their customers. With the expertise of BNPP PF coupled with the experience of the Group in the automobile business in the PRC, it is expected that Genius AFC will enable the Company to enhance its services to its customers and strengthen its competitiveness in the market as well as to benefit from the fast-growing auto finance industry in the PRC. Also, the Volvo Financing Arrangements and the EV Financing Arrangements are expected to facilitate and expedite the establishment of Genius AFC's market recognition and market share in the auto finance industry in the PRC. The renewal of the Volvo Finance Cooperation Agreements and the entering into of the EV Finance Cooperation Agreement will therefore enable the Group, through Genius AFC, to gain market share in the PRC auto finance industry and to benefit from the fast-growing auto finance market in the PRC.

Furthermore, as disclosed in the Company's interim report for the six months ended 30 June 2018, the Group announced and started to implement its new energy vehicle strategy named "Blue Geely Initiatives" in November 2015, which is a 5-year campaign demonstrating the Group's dedication to transforming into the industry leader in new energy vehicle technologies. The initiative's target is to ensure that up to 90% of the Group's total sales volume would be in the form of new energy vehicles by 2020. As disclosed in the Company's announcement dated 5 October 2018 in relation to the entering into of the Electric Vehicle Agreement among the Company, Geely Holding and GGL, the Group has been selling electric vehicles manufactured by it through the Geely Holding Group in certain regions of the PRC as only certain subsidiaries of the Geely Holding Group are eligible to the new energy vehicle subsidies granted by the PRC government in those regions 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. The EV Finance Cooperation Agreement entered into between Genius AFC and Geely Holding is for the provision of vehicle financing services by Genius AFC to the EV Dealers and the EV Retail Customers for their purchase of electric vehicles (that is, Geely EVs) to be sold to the Geely Holding Group by the Group pursuant to the Electric Vehicle Agreement. Therefore, the entering into of the EV Financing Arrangements will also benefit the Group by promoting the sale of Geely EVs in the PRC.

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 Volvo Financing Arrangements (including the Volvo Annual Caps) and EV Financing Arrangements (including the EV Annual Caps) 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.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Genius AFC is owned as to 80% by the Company and as to 20% by BNPP PF. As at the date of this announcement, (i) VCDC is wholly owned by Volvo, an indirect 99% owned subsidiary of Geely Holding; and (ii) VCIC is owned as to 50% by Volvo and 50% by Geely Holding which in turn is wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 44.41% of the total issued share capital of the Company. According, each of VCDC, VCIC and Geely Holding is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

Although the Volvo Dealers and the Volvo Retail Customers, who are parties to the Volvo Wholesale Facility Agreements and the Volvo Retail Loan Agreements, respectively, are independent third parties to the Company and its connected persons, the Volvo Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the Volvo Dealers and the Volvo Retail Customers will use the loans provided by Genius AFC to purchase vehicles from VCDC and VCIC, who are connected persons of the Company under the Listing Rules.

Similarly, although the EV Dealers and the EV Retail Customers, who are parties to the EV Wholesale Facility Agreements and the EV Retail Loan Agreements, respectively, are independent third parties to the Company and its connected persons, the EV Financing Arrangements are deemed to be connected transactions of the Company under Rule 14A.23 of the Listing Rules for the reason that the EV Dealers and the EV Retail Customers will use the loans provided by Genius AFC to purchase electric vehicles from Geely Holding, who is a connected person of the Company under the Listing Rules.

As the applicable percentage ratios for the Volvo Annual Caps and the EV Annual Caps on an aggregated basis exceed 5% annually, the renewal of the Volvo Finance Cooperation Agreements and the entering into of the EV Finance Cooperation Agreement are subject to the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui, each an executive Director, are considered to be interested in the Volvo Finance Cooperation Agreements and the EV Finance Cooperation Agreement by virtue of their interests and/or directorship in Geely Holding. As a result, each of Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel and Mr. An Cong Hui has abstained from voting on the Board resolutions for approving (i) the renewal of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps), and (ii) the EV Finance Cooperation Agreement (including the EV Annual Caps).

“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
“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 person(s)”	has the meaning ascribed thereto 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 to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the EV Finance Cooperation Agreement (including the EV Annual Caps) and the transactions contemplated thereunder
“Dealers”	the Volvo Dealers and the EV Dealers, collectively
“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 renewal of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the EV Finance Cooperation Agreement (including the EV Annual Caps)
“Electric Vehicle Agreement”	a master agreement entered into among the Company, Geely Holding and GGL on 5 October 2018 pursuant to which the Group conditionally agreed to sell complete build-up unit of electric vehicles (being complete electric vehicles after final assembly) to the Geely Holding Group and the GGL Group
“EV Annual Caps”	being the EV Annual Caps (Wholesale) and the EV Annual Caps (Retail)

“EV Annual Caps (Retail)”	the proposed annual caps (representing the annual new financing amounts to be provided by Genius AFC to the EV Retail Customers) in respect of the EV Retail Financing for each of the three financial years ending 31 December 2021 as set out under the paragraph headed “EV Annual Caps – EV Annual Caps (Retail)” in this announcement
“EV Annual Caps (Wholesale)”	the proposed annual caps (representing the annual new financing amounts to be provided by Genius AFC to the EV Dealers) in respect of the EV Wholesale Financing for each of the three financial years ending 31 December 2021 as set out under the paragraph headed “EV Annual Caps – EV Annual Caps (Wholesale)” in this announcement
“EV Dealer(s)”	enterprises that are authorised under the terms of a franchise dealer agreement with Geely Holding to sell Geely EVs purchased from Geely Holding to other car dealers and/or the EV Retail Customers
“EV Finance Cooperation Agreement”	the cooperation agreement entered into between Genius AFC and Geely Holding which sets out, among other things, the terms on which Genius AFC will provide vehicle financing services to the EV Dealers and EV Retail Customers, including (i) wholesale financing to the EV Dealers to assist them to buy Geely EVs and eventually selling such Geely EVs to the EV Retail Customers; and (ii) retail financing to the EV Retail Customers to assist them to buy Geely EVs from the EV Dealers
“EV Financing Arrangements”	the parcel of arrangements which includes (i) the cooperation arrangements as stipulated in the EV Finance Cooperation Agreement; (ii) the EV Wholesale Financing; and (iii) the EV Retail Financing
“EV Retail Customer(s)”	retail customers who purchase Geely EVs from the EV Dealers
“EV Retail Financing”	the provision by Genius AFC of vehicle loans and other financing to the EV Retail Customers to assist them to buy Geely EVs from the EV Dealers
“EV Retail Loan Agreement(s)”	financing agreements to be entered into between Genius AFC and the EV Retail Customers which set out the terms of the loans to be provided by Genius AFC to the EV Retail Customers for their purchase of Geely EVs

“EV Retail Loan Cooperation Agreement”	cooperation agreements to be entered into between Genius AFC and the EV Dealers which govern, among other things, the arrangements between Genius AFC and the EV Dealers in promoting the sales of the EV Dealers and the provision of vehicle loans from Genius AFC to the EV Retail Customers
“EV Wholesale Facility Agreement(s)”	financing agreements to be entered into between Genius AFC and the EV Dealers which set out the terms of the loans to be provided by Genius AFC to the EV Dealers for their purchase of Geely EVs
“EV Wholesale Financing”	the provision by Genius AFC of vehicle loans and other financing to the EV Dealers to assist them to buy Geely EVs from Geely Holding
“Geely EVs”	electric vehicles to be sold to the Geely Holding Group by the Group pursuant to the Electric Vehicle Agreement
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a private limited liability company incorporated in the PRC, and is ultimately wholly owned by Mr. Li and his associate
“Geely Holding Group”	Geely Holding and its subsidiaries
“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
“GGL”	吉利集團有限公司 (Geely Group Company Limited*), 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
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the renewal of the Volvo Finance Cooperation Agreements (including the Volvo Annual Caps) and the entering into of the EV Finance Cooperation Agreement (including the EV Annual Caps)
“Independent Shareholders”	Shareholder(s) other than Mr. Li, Mr. Yang Jian, Mr. Li Dong Hui, Daniel, Mr. An Cong Hui and their respective associates
“JV Agreement”	the agreement dated 16 December 2013 entered into between the Company and BNPP PF in relation to the formation of Genius AFC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder together with his associate, holding 44.41% interests in the total issued share capital of the Company as at the date of this announcement
“PBOC”	the People’s Bank of China
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, and for the purposes of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“Retail Customers”	the Volvo Retail Customers and the EV Retail Customers, collectively
“Retail Loan Agreements”	the Volvo Retail Loan Agreements and the EV Retail Loan Agreement, collectively
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VCDC”	沃爾沃汽車銷售(上海)有限公司 (Volvo Car Distribution (Shanghai) Co., Ltd.*) a limited liability company incorporated in the PRC which is a wholly owned subsidiary of Volvo
“VCIC”	沃爾沃汽車(亞太)投資控股有限公司 (Volvo Car (APAC) Investment Holding Co., Ltd.*) (previously known as 中嘉汽車製造(上海)有限公司 (Zhongjia Automobile Manufacturing (Shanghai) Company Limited*)), a limited liability company incorporated in the PRC which is owned as to 50% by Volvo and 50% by Geely Holding
“Volvo”	Volvo Car Corporation, a limited liability company incorporated under the laws of Sweden and an indirect 99% owned subsidiary of Geely Holding
“Volvo Annual Caps”	being the Volvo Annual Caps (Wholesale) and the Volvo Annual Caps (Retail)
“Volvo Annual Caps (Retail)”	the proposed annual caps (representing the annual new financing amounts to be provided by Genius AFC to the Volvo Retail Customers) in respect of the Volvo Retail Financing for each of the three financial years ending 31 December 2021 as set out under the paragraph headed “Volvo Annual Caps – Volvo Annual Caps (Retail)” in this announcement
“Volvo Annual Caps (Wholesale)”	the proposed annual caps (representing the annual new financing amounts to be provided by Genius AFC to the Volvo Dealers) in respect of the Volvo Wholesale Financing for each of the three financial years ending 31 December 2021 as set out under the paragraph headed “Volvo Annual Caps – Volvo Annual Caps (Wholesale)” in this announcement
“Volvo Dealer(s)”	enterprises that are authorised under the terms of a franchise dealer agreement with VCDC or VCIC (as the case may be) to sell Volvo-branded vehicles to other car dealers and/or the Volvo Retail Customers

“Volvo Finance Cooperation Agreement (Domestic Vehicles)”	the cooperation agreement entered into between Genius AFC and VCIC on 11 December 2015 which sets out, among other things, the terms under which Genius AFC will provide vehicle financing services to the Volvo Dealers and the Volvo Retail Customers for Volvo-branded vehicles manufactured domestically, including (i) wholesale financing to the Volvo Dealers to assist them to buy Volvo-branded vehicles and eventually selling such vehicles to the Volvo Retail Customers; and (ii) retail financing to the Volvo Retail Customers to assist them to buy Volvo-branded vehicles from the Volvo Dealers
“Volvo Finance Cooperation Agreement (Imported Vehicles)”	the cooperation agreement entered into between Genius AFC and VCDC on 11 December 2015 which sets out, among other things, the terms under which Genius AFC will provide vehicle financing services to the Volvo Dealers and the Volvo Retail Customers for imported Volvo-branded vehicles, including (i) wholesale financing to the Volvo Dealers to assist them to buy Volvo-branded vehicles and eventually selling such vehicles to the Volvo Retail Customers; and (ii) retail financing to the Volvo Retail Customers to assist them to buy Volvo-branded vehicles from the Volvo Dealers
“Volvo Finance Cooperation Agreements”	the Volvo Finance Cooperation Agreement (Domestic Vehicles) and the Volvo Finance Cooperation Agreement (Imported Vehicles)
“Volvo Financing Arrangements”	the parcel of arrangements which includes (i) the cooperation arrangements as stipulated in the Volvo Finance Cooperation Agreements; (ii) the Volvo Wholesale Financing; and (iii) the Volvo Retail Financing
“Volvo Retail Customer(s)”	retail customers who purchase Volvo-branded vehicles from the Volvo Dealers
“Volvo Retail Financing”	the provision by Genius AFC of vehicle loans and other financing to the Volvo Retail Customers to assist them to buy Volvo-branded vehicles from the Volvo Dealers
“Volvo Retail Loan Agreement(s)”	financing agreements entered into between Genius AFC and the Volvo Retail Customers which set out the terms of the loans provided by Genius AFC to the Volvo Retail Customers for their purchase of Volvo-branded vehicles

“Volvo Retail Loan Cooperation Agreement(s)”	cooperation agreements entered into between Genius AFC and the Volvo Dealers which govern, among other things, the arrangements between Genius AFC and the Volvo Dealers in promoting the sales of the Volvo Dealers and the provision of vehicle loans from Genius AFC to the Volvo Retail Customers
“Volvo Wholesale Facility Agreement(s)”	financing agreements entered into between Genius AFC and the Volvo Dealers which set out the terms of the loans provided by Genius AFC to the Volvo Dealers for their purchase of Volvo-branded vehicles
“Volvo Wholesale Financing”	the provision by Genius AFC of vehicle loans and other financing to the Volvo Dealers to assist them to buy Volvo-branded vehicles from VCDC or VCIC (as the case may be)
“Wholesale Facility Agreements”	the Volvo Wholesale Facility Agreements and the EV Wholesale Facility Agreements, collectively
“%”	per cent

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

Hong Kong, 5 October 2018

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, the non-executive director of the Company is Mr. Carl Peter Edmund Moriz Forster 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*