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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Geely Automobile Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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# GEELY

吉利汽車控股有限公司

## GEELY AUTOMOBILE HOLDINGS LIMITED

*(Incorporated in Cayman Islands with limited liability)*

(Stock code: 175)

### CONTINUING CONNECTED TRANSACTIONS

Financial adviser to Geely Automobile Holdings Limited



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

# BALLAS

C A P I T A L

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A letter from the Independent Board Committee is set out on pages 45 to 46 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 47 to 87 of this circular. A notice convening the EGM to be held at Boardroom 6, M/F, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on Monday, 6 December 2021 at 4:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

#### PRECAUTIONARY MEASURES FOR THE EGM

Please see page ii of this circular for measures being taken to prevent and control the spread of the COVID-19 at the EGM, including:

- compulsory temperature checks
- recommended wearing of surgical face masks
- no distribution of corporate gifts and refreshments

**Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company encourages attendees to wear face masks and reminds Shareholders that they may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.**

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## PRECAUTIONARY MEASURES FOR THE EGM

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In view of the ongoing COVID-19 and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius or any person wearing an electronic tracking wristband under quarantine order may be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) The Company encourages attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats; and
- (iii) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The form of proxy is attached to this circular for Shareholders who opt to receive physical circulars. Alternatively, the form of proxy can be downloaded from the "Investor Centre" section of the Company's website at <http://www.geelyauto.com.hk>. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If Shareholders have any questions relating to the EGM, please contact Union Registrars Limited, the Company's Hong Kong share registrar, as follows:

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road, North Point, Hong Kong  
E-mail: [geely@unionregistrars.com.hk](mailto:geely@unionregistrars.com.hk)  
Tel. No.: (852) 2849 3399  
Fax No.: (852) 2849 3319

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## DEFINITIONS

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*Unless the context requires otherwise, the following expressions shall have the following meanings in this circular:*

“2009 Services Agreement”	the master agreement dated 27 November 2009 entered into between the Company and Geely Holding (i) for the sale of CKDs and vehicle tool kits by the Group to the Geely Holding Group; and (ii) for the purchase of CBUs, automobile parts and components, and provision of process manufacturing services by the Group from the Geely Holding Group
“2018 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
“2018 Services Agreement”	the master 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 purchase of CBUs, automobile parts and components by the Group from the Geely Holding Group
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Automobile Components Procurement Agreement”	the master agreement dated 15 October 2021 entered into between the Company and Geely Holding for the procurement of automobile components by the Group from the Geely Holding Group
“BNPP PF”	BNP Paribas Personal Finance, a subsidiary of the BNP Paribas Group as at the Latest Practicable Date, which engages in consumer credit and mortgage lending activities
“Board”	the board of Directors
“business day”	day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong and the PRC
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBU(s)”	complete buildup unit(s) (整車), a complete vehicle after the final assembly
“CEVT”	a limited liability company incorporated in Sweden and is an indirect subsidiary of ZEEKR upon the completion of the CEVT Acquisition

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## DEFINITIONS

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“CEVT Acquisition”	the acquisition of the entire registered capital in CEVT by ZEEKR from Zhejiang Geely pursuant to the acquisition agreement dated 2 July 2021 entered into between ZEEKR and Zhejiang Geely
“CKD(s)”	complete knock down kit(s) (整車成套件), a complete kit needed to assemble a vehicle
“Company”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed in the main board of the Stock Exchange (stock code: 175)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Connected Volvo Dealers”	enterprises, which are controlled by the Geely Holding Group, being authorised by the Volvo Group under a franchise dealer agreement to sell Volvo-branded vehicles to Volvo Retail Customers
“Continuing Connected Transactions”	transactions contemplated under (i) Services Agreement; (ii) Automobile Components Procurement Agreement; (iii) Volvo Financing Arrangements; and (iv) Supplemental Master CKDs and Automobile Components Purchase Agreement
“COVID-19”	a type of virus which has caused a worldwide pandemic respiratory illness
“Director(s)”	the director(s) of the Company
“ECARX”	ECARX Holdings Inc., a limited liability company incorporated in the Cayman Islands and is ultimately and beneficially owned as to 49.51%, 0.77% and 1.12% of the total outstanding shares of ECARX on an as-converted basis by Mr. Li, Mr. Li Dong Hui, Daniel, and Mr. An Cong Hui, respectively, as at the Latest Practicable Date
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Continuing Connected Transactions
“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 is wholly owned by Geely Holding Automobile as at the Latest Practicable Date

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## DEFINITIONS

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“Existing 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 agreed to purchase CKDs and automobile components from the Geely Holding Group
“Geely Holding Group”	Geely Holding and its subsidiaries
“Geely Holding”	浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited*), a limited liability company incorporated in the PRC, and is ultimately wholly owned by Mr. Li and his associate as at the Latest Practicable Date
“Geely Holding Automobile”	吉利汽車集團有限公司 (Geely Automobile Group Company Limited*), previously known as 浙江吉利汽車實業有限公司 (Zhejiang Geely Automobile Industry Company Limited*), a limited liability company incorporated in the PRC, and is wholly owned by Geely Holding as at the Latest Practicable Date
“Geely-branded”	an automobile brand of the Group
“Geely Technology”	吉利科技集團有限公司 (Geely Technology Group Company Limited*), a limited liability company incorporated in the PRC and is ultimately wholly owned by Mr. Li and his associate as at the Latest Practicable Date
“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 at the Latest Practicable Date. 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
“Haohan Energy”	浙江浩瀚能源科技有限公司 (Zhejiang Haohan Energy Technology Company Limited*), a limited liability company incorporated in the PRC and is owned as to 30% by ZEEKR and as to 70% by Geely Holding Automobile upon the completion of the Haohan Energy Acquisition
“Haohan Energy Acquisition”	the acquisition of the 30% equity interests in Haohan Energy by ZEEKR from Geely Holding Automobile pursuant to the acquisition agreement dated 2 July 2021 entered into between ZEEKR and Geely Holding Automobile

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## DEFINITIONS

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“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	independent committee of the Board, which comprises all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders on the Continuing Connected Transactions
“Independent Financial Adviser”	Ballas 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 Continuing Connected Transactions
“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
“independent third party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Independent Volvo Dealers”	enterprises, which are independent from the Company and its connected persons, being authorised by the Volvo Group under a franchise dealer agreement to sell Volvo-branded vehicles to Volvo Retail Customers
“Latest Practicable Date”	10 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LYNK & CO Group”	LYNK & CO and its subsidiaries
“LYNK & CO”	領克投資有限公司 (LYNK & CO Investment Co., Ltd.*), a Chinese-foreign equity joint venture of the Company incorporated in the PRC and owned as to 50%, 20% and 30% by Zhejiang Jirun, Geely Holding and VCI, respectively, as at the Latest Practicable Date
“LYNK & CO-branded”	an automobile brand of the LYNK & CO Group
“Mr. Li”	Mr. Li Shu Fu, an executive Director and a substantial Shareholder holding approximately 41% of the total issued share capital of the Company as at the Latest Practicable Date

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## DEFINITIONS

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“Ningbo Viridi”	威睿電動汽車技術(寧波)有限公司 (Viridi E-Mobility Technology (Ningbo) Co., Ltd.*), a limited liability company incorporated in the PRC and is an indirect subsidiary of ZEEKR as at the Latest Practicable Date
“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 circular excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Revised Annual Caps”	proposed annual caps under the Supplemental Master CKDs and Automobile Components Purchase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SEK”	Swedish Krona, the lawful currency of Sweden
“Services Agreement”	the master agreement dated 15 October 2021 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 purchase of CBUs by the Group from the Geely Holding Group
“SFO”	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shanghai Maple”	上海華普汽車有限公司 (Shanghai Maple Automobile Company Limited*), a limited liability company incorporated in the PRC and is 90% owned by Geely Holding as at the Latest Practicable Date
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholders”	the holder(s) of the Share(s)
“Supplemental Master CKDs and Automobile Components Purchase Agreement”	the supplemental master agreement dated 15 October 2021 entered into between the Company and Geely Holding, pursuant to which the parties agreed to increase the annual caps for the purchase of CKDs and automobile components by the Group from the Geely Holding Group

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## DEFINITIONS

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“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“Value Century”	Value Century Group Limited, a limited liability company incorporated in the British Virgin Islands and is wholly owned by the Company as an investment holding company as at the Latest Practicable Date
“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 and is a wholly owned subsidiary of Volvo as at the Latest Practicable Date
“VCI”	沃爾沃汽車(中國)投資有限公司 (Volvo Car (China) Investment Co., Ltd.*), a limited liability company incorporated in the PRC and is a wholly owned subsidiary of Volvo as at the Latest Practicable Date
“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 and is owned as to 50% by Volvo and as to 50% by Geely Holding as at the Latest Practicable Date
“Volvo”	Volvo Car Corporation, a limited liability company incorporated under the laws of Sweden and is an indirect 97.8% owned subsidiary of Geely Holding as at the Latest Practicable Date
“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 Business for each of the three financial years ending 31 December 2024 as set out under the paragraph headed “Continuing Connected Transactions - (C) Volvo Financing Arrangements - Volvo Annual Caps – Volvo Annual Caps (Retail)” in this circular
“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 Business for each of the three financial years ending 31 December 2024 as set out under the paragraph headed “Continuing Connected Transactions - (C) Volvo Financing Arrangements - Volvo Annual Caps – Volvo Annual Caps (Wholesale)” in this circular

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## DEFINITIONS

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“Volvo Annual Caps”	being the Volvo Annual Caps (Wholesale) and the Volvo Annual Caps (Retail)
“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 the Volvo Retail Customers (which include the Independent Volvo Dealers and the Connected Volvo Dealers)
“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 Group”	Volvo together with its subsidiaries
“Volvo Retail Customer(s)”	retail customers who purchase Volvo-branded vehicles from the Volvo Dealers
“Volvo Retail Financing Business”	one of the principal businesses to be carried out by Genius AFC regarding the provision of the Volvo Retail Financing

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## DEFINITIONS

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“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 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 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 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)
“Volvo-branded”	an automobile brand of the Volvo Group
“ZEEKR”	ZEEKR Intelligent Technology Holding Limited, a limited liability company incorporated in the Cayman Islands and is an indirect subsidiary of the Company as at the Latest Practicable Date
“ZEEKR-branded”	an automobile brand of the ZEEKR Group
“ZEEKR Automobile”	極氪汽車(寧波杭州灣新區)有限公司 (ZEEKR Automobile (Ningbo Hangzhou Bay New Zone) Co., Ltd.*), previously known as 寧波極氪智能科技有限公司 (Ningbo ZEEKR Intelligent Technology Company Limited*), a limited liability company incorporated in the PRC and is an indirect wholly owned subsidiary of ZEEKR as at the Latest Practicable Date
“ZEEKR Group”	ZEEKR together with its subsidiaries
“ZEEKR Shanghai”	極氪汽車(上海)有限公司 (ZEEKR Automobile (Shanghai) Company Limited*), previously known as 上海華普國潤汽車有限公司 (Shanghai Maple Guorun Automobile Company Limited*) a limited liability company incorporated in the PRC and is a wholly owned subsidiary of ZEEKR as at the Latest Practicable Date

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## DEFINITIONS

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“Zhejiang Fulin”	浙江福林國潤汽車零部件有限公司 (Zhejiang Fulin Guorun Automobile Parts Company Limited*), a limited liability company incorporated in the PRC and is indirectly wholly owned by the Company as at the Latest Practicable Date
“Zhejiang Geely”	浙江吉利汽車有限公司 (Zhejiang Geely Automobile Company Limited*), a limited liability company incorporated in the PRC and is a direct approximately 71% owned subsidiary of Geely Holding as at the Latest Practicable Date
“Zhejiang Jichuang”	浙江吉創汽車零部件有限公司 (Zhejiang Jichuang Automobile Parts Company Limited*), a limited liability company incorporated in the PRC and is wholly owned by Geely Holding as at the Latest Practicable Date
“Zhejiang Jirun”	浙江吉潤汽車有限公司 (Zhejiang Jirun Automobile Company Limited*), a limited liability company incorporated in the PRC and is an indirect 99% owned subsidiary of the Company as at the Latest Practicable Date
“%”	per cent

\* *For reference purpose only, the English names of these companies, persons or documents are only a translation of their respective Chinese names. In the event of any discrepancies between the Chinese names and their respective English translations, the Chinese version shall prevail.*

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## LETTER FROM THE BOARD

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# GEELY

吉利汽車控股有限公司

**GEELY AUTOMOBILE HOLDINGS LIMITED**

*(Incorporated in Cayman Islands with limited liability)*

(Stock code: 175)

*Executive Directors:*

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  
Ms. Wei Mei

*Registered Office:*

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

*Independent Non-executive Directors:*

Mr. Lee Cheuk Yin, Dannis  
Mr. Yeung Sau Hung, Alex  
Mr. An Qing Heng  
Mr. Wang Yang  
Ms. Lam Yin Shan, Jocelyn  
Ms. Gao Jie

*Principal Place of Business in*

*Hong Kong:*  
Room 2301, 23rd Floor  
Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

16 November 2021

*To the Shareholders,*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 15 October 2021 in relation to the Continuing Connected Transactions.

The purpose of this circular is to provide you with information, among other things, (i) further information about the Continuing Connected Transactions; (ii) the recommendation of the Independent Board Committee on the Continuing Connected Transactions; (iii) the advice of the Independent Financial Adviser in respect of the Continuing Connected Transactions; and (iv) other information as required under the Listing Rules together with the notice of the EGM.

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## LETTER FROM THE BOARD

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### CONTINUING CONNECTED TRANSACTIONS

#### (A) Services Agreement

Reference is made to the Company's announcement dated 5 October 2018 in relation to the 2018 Services Agreement. Pursuant to the 2018 Services Agreement, (i) the Group conditionally agreed to sell CKDs to the Geely Holding Group; and (ii) the Group conditionally agreed to purchase CBUs, automobile parts and components from the Geely Holding Group.

In light of the upcoming expiry of the 2018 Services Agreement, on 15 October 2021 (after trading hours), the Company and Geely Holding entered into the Services Agreement pursuant to which (i) the Group conditionally agreed to sell CKDs to the Geely Holding Group; and (ii) the Group conditionally agreed to purchase CBUs from the Geely Holding Group.

Principal terms of the Services Agreement are set out below:

#### *Date*

15 October 2021 (after trading hours)

#### *Parties*

*The Company and Geely Holding*

The Company is principally engaged in investment 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.

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

#### *Term*

From 1 January 2022 to 31 December 2024

#### *Condition precedent to the Services Agreement*

The Services Agreement is conditional upon approval by the Independent Shareholders at the EGM.

If the above condition is not fulfilled on or before 31 December 2021 (or such later date as the parties may agree in writing), the Services Agreement will lapse and all the obligations and liabilities of the parties thereto will cease and terminate.

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## LETTER FROM THE BOARD

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### *Termination*

In addition to the non-fulfillment of the condition precedent above, the Services Agreement may be terminated if:

- (i) a written agreement is entered into between the parties to terminate the Services 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 a result of material violation of the laws or regulations, declares bankruptcy, is unable to perform its obligations under the Services Agreement due to force majeure; or
  - (iii) Geely Holding and its associates cease to be connected persons of the Company.
- (1) *Sale of CKDs by the Group to the Geely Holding Group*

#### Subject matter

Pursuant to the Services Agreement, the Group conditionally agreed to sell, and the Geely Holding Group conditionally agreed to purchase, CKDs manufactured by the Group.

During the course of the Services Agreement, the Geely Holding Group may request additional services other than the aforesaid services from the Group which will be based on normal commercial terms and determined by the parties to the Services Agreement on arm's length basis and in compliance with the Listing Rules. Such additional services, if any, will be related to services (such as modification of CKDs) that may be required in the process of manufacturing CKDs for new vehicle models in the future. Since the commencement of the 2009 Services Agreement and up to the Latest Practicable Date, the Geely Holding Group has not requested for such additional services from the Group.

The sale of CKDs 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 Group than terms available to or from (as applicable) other independent third parties.

#### Pricing basis

Pursuant to the Services Agreement, the CKDs, depending on the specifications and models, will be sold to the Geely Holding Group based on the selling prices of CBUs to end customers, less distribution costs, the applicable PRC taxes (being mainly consumption tax and value-added tax) and other necessary and reasonable expenses (such as staff salary and other office expenses), plus any new energy vehicle subsidies received (in the case of electric vehicles).

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## LETTER FROM THE BOARD

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### Historical transaction amounts and proposed annual caps

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2020 and the eight months ended 31 August 2021; and (ii) the annual caps for the sale of CKDs by the Group to the Geely Holding Group pursuant to the 2018 Services Agreement for the three years ending 31 December 2021.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the eight months ended 31 August 2021	Announced annual caps for the year ended/ending 31 December		
	2019	2020	2021	2019	2020	2021
	<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 CKDs by the Group to the Geely Holding Group	83,133.0	73,787.0	44,860.1	191,208.9	250,203.1	293,775.4
Utilisation rate of annual caps				43.5%	29.5%	15.3% (Note)

*Note:* Utilisation rate of the annual cap for the year ending 31 December 2021 was calculated by dividing the historical transaction amount for the eight months ended 31 August 2021 by the announced annual cap for the full financial year ending 31 December 2021.

Please refer to the paragraph headed “Continuing Connected Transactions - (A) Services Agreement - (2) Purchase of CBUs by the Group from the Geely Holding Group - Historical transaction amounts and proposed annual caps” in this circular for the analysis of the utilisation rate of the annual caps for the sale of CKDs by the Group to the Geely Holding Group pursuant to the 2018 Services Agreement.

The table below sets out the proposed annual caps for the sale of CKDs pursuant to the Services Agreement for each of the three years ending 31 December 2024.

	Proposed annual caps for the year ending 31 December		
	2022	2023	2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Sale of CKDs by the Group to the Geely Holding Group	92,051.6	104,297.6	120,281.0

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## LETTER FROM THE BOARD

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Basis of determination of the proposed annual caps

The proposed annual caps for the sale of CKDs by the Group to the Geely Holding Group were determined by the Directors with reference to (i) the projected unit sales of the Group for the three years ending 31 December 2024 which were determined with reference to the annual sales volume target of the Group for the three years ending 31 December 2024; (ii) the projected average selling price of CBUs to end customers for the three years ending 31 December 2024; and (iii) the applicable PRC tax rates, the new energy vehicle subsidies and the projected distribution costs and other necessary expenses for the three years ending 31 December 2024. The Group has revised downward the annual caps of the Services Agreement for each of the three years ending 31 December 2024 as compared with the annual caps of the 2018 Services Agreement after taking into consideration the low utilisation rates of the annual caps under the 2018 Services Agreement.

For analysis of the increase in the annual caps of the sale of CKDs by the Group to the Geely Holding Group for the years ending 31 December 2023 and 2024, please refer to paragraph headed “Continuing Connected Transactions - (A) Services Agreement - (2) Purchase of CBUs by the Group from the Geely Holding Group - Historical transaction amounts and proposed annual caps” in this circular.

(2) *Purchase of CBUs by the Group from the Geely Holding Group*

Subject matter

Pursuant to the Services Agreement, the Group conditionally agreed to purchase, and the Geely Holding Group conditionally agreed to sell, CBUs.

The purchase of CBUs 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 Group than terms available to or from (as applicable) other independent third parties to the Group.

Pricing basis

Pursuant to the Services Agreement, the CBUs, depending on the vehicle models, will be sold to the Group based on the selling prices of CBUs to end customers, less distribution costs.

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## LETTER FROM THE BOARD

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### Historical transaction amounts and proposed annual caps

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2020 and the eight months ended 31 August 2021; and (ii) the annual caps for the purchase of CBUs by the Group from the Geely Holding Group pursuant to the 2018 Services Agreement for the three years ending 31 December 2021.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the eight months ended 31 August 2021	Announced annual caps for the year ended/ending 31 December		
	2019	2020	2021	2019	2020	2021
	<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>
Purchase of CBUs by the Group from the Geely Holding Group	83,345.0	76,280.0	46,611.9	192,992.5	250,201.9	303,907.9
Utilisation rate of annual caps				43.2%	30.5%	15.3% (Note)

*Note:* Utilisation rate of the annual cap for the year ending 31 December 2021 was calculated by dividing the historical transaction amount for the eight months ended 31 August 2021 by the announced annual cap for the full financial year ending 31 December 2021.

The relatively low utilisation rates of the annual caps for the sale of CKDs by the Group to the Geely Holding Group and the purchase of CBUs by the Group from the Geely Holding Group for the two years ended 31 December 2020 and the eight months ended 31 August 2021 were mainly due to (i) relatively large annual caps for the three years ending 31 December 2021 as a result of optimistic expectations on the Group's sales volume based on the good sales performance in 2017 and 2018, the Group achieved an increase in sales volume of 62.8% in 2017 and 20.3% in 2018, and a sales revenue growth of 74.3% in 2017 and 32.2% in 2018; and (ii) weak passenger vehicle market in the PRC since 2019 as a result of economic uncertainties and the implementation of new emission standards which affected the demand for conventional passenger vehicles, along with the outbreak of the COVID-19 and the global chip shortage since 2020, which led to the decrease in overall sales volume of passenger vehicles in the PRC by 10% and 6% in 2019 and 2020, respectively. As the demand for passenger vehicles in the PRC has dropped in 2019 and 2020, sales volume of the Group dropped by 9.3% in 2019 and 3.0% in 2020, the volume of transactions in relation to the sale of CKDs by the Group to the Geely Holding Group and the purchase of CBUs by the Group from the Geely Holding Group have also declined accordingly. Despite the strong rebound of passenger vehicle demand in the PRC market in the first half of 2021, the utilisation rates of the annual caps were still relatively low as (i) most of the Group's new model launches in 2021 would

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## LETTER FROM THE BOARD

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cluster towards the second half of the year; and (ii) the lack of new models and phase out of some older models which slowed down the sales growth of Geely-branded vehicles during the same period. The Directors expects that the sales performance of the Group will catch up faster in the second half of 2021 due to the launch of new models and seasonality factor.

The table below sets out the proposed annual caps for the purchase of CBUs by the Group from the Geely Holding Group pursuant to the Services Agreement for each of the three years ending 31 December 2024.

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Purchase of CBUs by the Group from the Geely Holding Group	95,467.2	108,327.2	124,704.7

Basis of determination of the proposed annual caps

The proposed annual caps for the purchase of CBUs by the Group from the Geely Holding Group were determined by the Directors with reference to (i) the projected unit sales of the Group for the three years ending 31 December 2024 which were determined with reference to the annual sales volume target of the Group for the three years ending 31 December 2024; (ii) the projected average selling price of CBUs to end customers for the three years ending 31 December 2024; and (iii) the projected distribution costs for the three years ending 31 December 2024. The Group has revised downward the annual caps of the Services Agreement for each of the three years ending 31 December 2024 as compared with the annual caps of the 2018 Services Agreement after taking into consideration the low utilisation rates of the annual caps under the 2018 Services Agreement.

The increase in the proposed annual caps for the sale of CKDs by the Group to the Geely Holding Group and the purchase of CBUs by the Group from the Geely Holding Group for the years ending 31 December 2023 and 2024 are mainly attributable to the expected increase in production and sale of the new Geely-branded vehicle models that will be introduced to the market in 2023 and 2024.

The Directors are of the view that the proposed annual caps of the Services Agreement for the three years ending 31 December 2024 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE SERVICES AGREEMENT

Pursuant to the Services Agreement, the Group will sell CKDs to the Geely Holding Group, and purchase CBUs from the Geely Holding Group for a term of three years from 1 January 2022 to 31 December 2024. Under the Services Agreement, the Geely Holding Group will perform final assembly of the CKDs purchased from the Group, facilitate payment of the PRC consumption tax, and then sell the CBUs assembled from the CKDs back to the Group for distribution to end customers.

As at the Latest Practicable Date, the Group is not in possession of the automobile catalogue issued by the National Development Reform Commission in the PRC (“**Automobile Catalogue**”), which is required to effect payment of the PRC consumption tax, due to the restriction imposed on foreign automobile manufacturers to possess the Automobile Catalogue. As such, the Directors are of the view that the arrangement under the Services Agreement will ensure smooth operation of the Group as the services to be provided by the Geely Holding Group, which possesses the Automobile Catalogue, will facilitate the payment of the PRC consumption tax. As advised by the PRC legal adviser to the Group, the arrangement under the Services Agreement does not violate the relevant laws and regulations in the PRC.

The Group is uncertain when such restriction on foreign automobile manufacturers would be lifted, therefore it is uncertain when the Group will possess the said Automobile Catalogue. As advised by the Directors, as soon as it is permissible under the relevant PRC laws, the Group will proactively obtain necessary approval for the Automobile Catalogue from relevant authorities to reduce reliance on the Geely Holding Group in this regard.

As advised by the PRC legal adviser to the Group, once the restriction imposed on foreign automobile manufacturers is removed and upon satisfaction of the relevant requirements including licensing and other requirements, there are no material legal impediments for the Group to obtain the Automobile Catalogue.

In respect of the manufacturing of CBUs for new energy vehicles, the Group is currently not in possession of the Automobile Catalogue for new energy vehicles as it is impracticable for the Group to separate its own production facilities for fuel-consumption vehicles and new energy vehicles in order to obtain Automobile Catalogue in particular for the new energy vehicles. This is because the production facilities, research and development functions, and other supportive systems for fuel-consumption vehicles and new energy vehicles held by the Group are impartible. If the Group segregates its own production facilities solely for new energy vehicles, it will incur higher production costs which would have a negative financial impact to the Group.

Pursuant to the arrangement under the Services Agreement, the sale of CKDs from the Group to the Geely Holding Group are solely for final assembly into CBUs by the Geely Holding Group and the CBUs will be purchased back by the Group for subsequent distribution to end customers. Therefore, the net financial effect on the Group is represented as the service cost of final assembly on the CKDs charged by the Geely Holding Group and the relevant consumption taxes levied on the CBUs upon being sold back to the Group, which are included in the “Cost of sales” in the consolidated income statement of the Group. As the net financial effect of the 2018 Services Agreement to total purchase was not material for the year ended 31 December 2020, the Group has not heavily relied on the Geely Holding Group or other companies controlled by Mr. Li for the Group’s procurement activities.

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## LETTER FROM THE BOARD

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Based on the analysis above, (i) the arrangement under the Services Agreement is simply designed to facilitate smooth operation of the Group under the current laws and regulations of the PRC and the Group will proactively reduce the reliance on the Geely Holding Group when the relevant laws and regulations permit such; and (ii) the Group's procurement activities have not heavily relied on the Geely Holding Group or other companies controlled by Mr. Li.

### **INTERNAL CONTROL MEASURES IN RELATION TO PRICING FOR THE SERVICES AGREEMENT**

#### **(i) Sale of CKDs from the Group to the Geely Holding Group**

For the sales of CKDs by the Group, the operation department of the Group will review the relevant cost and benefit items, which include mainly distribution costs, the applicable PRC taxes, the national new energy vehicle subsidies and other necessary expenses, and will coordinate with the sales department of the Group to ensure that the selling price of CKDs are determined properly. The finance department of the Group will review the aforesaid works carried out by the operation department as well as the cost and expenses reports generated by the accounting systems on a quarterly basis to ensure the continuing connected transactions being implemented in accordance with the pricing policies. The Group and the Geely Holding Group will negotiate on a yearly basis (or more frequently if it is determined necessary) the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by the Group in such transactions.

#### **(ii) Purchase of CBUs by the Group from the Geely Holding Group**

For the purchases of CBUs by the Group, the sales department of the Group will keep track of the expected selling price of vehicles and relevant cost items, which mainly include distribution costs, and will review such information on a monthly basis and determine the selling price of vehicles on a quarterly basis when the market is stable (or more frequently if it is determined necessary) to ensure the fairness of the selling price of the CBUs. The finance department of the Group will review the aforesaid works carried out by the sales department on a quarterly basis to ensure that the continuing connected transactions are being implemented in accordance with the pricing policies.

#### **(B) Automobile Components Procurement Agreement**

Reference is made to (i) the 2018 Services Agreement in relation to the purchase of automobile parts and components by the Group from the Geely Holding Group; and (ii) the Company's announcement dated 5 October 2018 in relation to the 2018 Automobile Components Procurement Agreement pursuant to which the Group conditionally agreed to procure automobile components from the Geely Holding Group.

Taking into consideration (i) the upcoming expiry of the 2018 Services Agreement and the 2018 Automobile Components Procurement Agreement; and (ii) the similar nature of the procurement transactions of automobile components pursuant to the 2018 Services Agreement and the 2018 Automobile Components Procurement Agreement, on 15 October 2021 (after trading hours), the Company and Geely Holding entered into the Automobile Components Procurement Agreement to streamline the continuing connected transactions in relation to the procurement of automobile components by the Group from the Geely Holding Group.

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## LETTER FROM THE BOARD

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For the avoidance of doubt, the automobile components that will be procured by the Group from the Geely Holding Group pursuant to the Automobile Components Procurement Agreement are different from the CKDs and automobile components procured by the Group from the Geely Holding Group pursuant to the Existing Master CKDs and Automobile Components Purchase Agreement. Under the Automobile Components Procurement Agreement, the automobile components to be procured by the Group are those that are either (i) procured by the Geely Holding Group from other suppliers for onward selling to the Group based on the original purchase costs plus the actual costs incurred by the Geely Holding Group in the procurement process of such automobile components or (ii) manufactured by the Geely Holding Group which will be sold to the Group based on the prevailing market price of similar products. Under the Existing Master CKDs and Automobile Components Purchase Agreement, the CKDs and automobile components to be purchased by the Group are those that are tailor made for the Group and to be sold at prices calculated on a cost-plus basis.

Principal terms of the Automobile Components Procurement Agreement are set out below:

***Date***

15 October 2021 (after trading hours)

***Parties***

Vendor: Geely Holding

Purchaser: The Company

Please refer to the paragraph headed “Continuing Connected Transactions – (A) Services Agreement – Parties” in this circular for further details regarding the Company and Geely Holding.

***Subject matter***

Pursuant to the Automobile Components Procurement Agreement, the Group conditionally agreed to procure, and the Geely Holding Group conditionally agreed to supply, automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.).

The procurement of 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 Group than those offered by the Geely Holding Group to other independent third parties or those offered to the Group by other independent third parties.

***Pricing basis***

The selling price of the automobile components will be determined on an arm’s length basis and on normal commercial terms. For automobile parts and components that are procured by the Geely Holding Group from other suppliers for onward selling to the Group, the selling price will be based on the original purchase cost plus the actual costs incurred by the Geely Holding Group in the

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## LETTER FROM THE BOARD

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procurement process of such automobile parts and components. For automobile parts and components that are manufactured by the Geely Holding Group, the selling price will be based on the prevailing market price of similar products. The selling price of the automobile components will be on terms no less favourable than those offered by the Geely Holding Group to other independent third parties and/or those offered to the Group by other independent third parties.

The actual costs incurred by the Geely Holding Group in the procurement process of automobile parts and components include labor costs (such as wages and social insurance), travel expenses, office expenses and other management expenses.

### ***Term***

From 1 January 2022 to 31 December 2024

### ***Condition precedent***

The Automobile Components Procurement Agreement is conditional upon approval by the Independent Shareholders at the EGM.

If the above condition has not been fulfilled on or before 31 December 2021 (or such later date as the parties may agree in writing), the Automobile Components Procurement Agreement will lapse and all the obligations and liabilities of the parties thereto will cease and terminate.

### ***Termination***

In addition to the non-fulfillment of the condition precedent above, the Automobile Components Procurement Agreement may be terminated if:

- (i) a three-month prior written notice to terminate the Automobile Components Procurement Agreement is served by either party;
- (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 a result of material violation of the laws or regulations, declares bankruptcy, is unable to perform its obligations under the Automobile Components Procurement Agreement due to force majeure; or
- (iii) Geely Holding and its associates cease to be connected persons of the Company.

## LETTER FROM THE BOARD

### *Historical transaction amounts and proposed annual caps*

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2020 and the eight months ended 31 August 2021; and (ii) the annual caps for procurement of automobile components by the Group from the Geely Holding Group under each of the 2018 Services Agreement and the 2018 Automobile Components Procurement Agreement for the three years ended 31 December 2021.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the eight months ended 31 August	Announced annual caps for the year ended/ending 31 December		
	2019	2020	2021	2019	2020	2021
	<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>
Procurement of automobile parts and components by the Group from the Geely Holding Group under the 2018 Services Agreement	2,219.0	295.0	518.0	38,094.0	50,052.7	59,076.3
Utilisation rate of annual caps				5.8%	0.6%	0.9% (Note)
Procurement of automobile components by the Group from the Geely Holding Group under the 2018 Automobile Components Procurement Agreement	2,402.0	1,973.0	2,562.1	13,746.8	25,845.4	33,591.6
Utilisation rate of annual caps				17.5%	7.6%	7.6% (Note)

*Note:* Utilisation rate of the annual cap for the year ending 31 December 2021 was calculated by dividing the historical transaction amount for the eight months ended 31 August 2021 by the announced annual cap for the full financial year ending 31 December 2021.

The relatively low utilisation rates of annual caps for the procurement of automobile parts and components by the Group from the Geely Holding Group under the 2018 Services Agreement and 2018 Automobile Components Procurement Agreement for the years ended 31 December 2019 and 2020 and the eight months ended 31 August 2021 were mainly the result of the relatively low demand for the sale of CKDs by the Group to the Geely Holding Group and the purchase of CBUs by the Group from the Geely Holding Group during the same periods, which led to a relatively low utilisation rate of the annual caps for the sale of CKDs by the Group to the Geely Holding Group and

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## LETTER FROM THE BOARD

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the purchase of CBUs by the Group from the Geely Holding Group as discussed in the paragraph headed “Continuing Connected Transactions - (A) Services Agreement - (2) Purchase of CBUs by the Group from the Geely Holding Group - Historical transaction amounts and proposed annual caps” in this circular. Moreover, the purchase of certain automobile parts and components from independent third party suppliers also contributed to the relatively low utilisation rates of annual caps for the procurement of automobile parts and components by the Group from the Geely Holding Group under the 2018 Services Agreement. In light of the relatively low utilisation rate of the annual caps under the 2018 Services Agreement and 2018 Automobile Components Procurement Agreement, the Group proposes to revise downward the annual caps for the transactions under the Automobile Components Procurement Agreement as further detailed below.

### *Proposed annual caps*

The table below sets out the proposed annual caps for the procurement of automobile components by the Group from the Geely Holding Group pursuant to the Automobile Components Procurement Agreement for the three years ending 31 December 2024.

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Purchase of automobile components by the Group from the Geely Holding Group	6,779.3	7,930.1	9,220.2

### *Basis of determination of the proposed annual caps*

The proposed annual caps for the purchase of automobile components by the Group from the Geely Holding Group were determined by the Directors with reference to (i) the projected units of each type of automobile components to be procured by the Group from the Geely Holding Group, which in turn were determined with reference to the projected unit sales of the Group’s vehicles for the three years ending 31 December 2024; and (ii) the projected unit selling price for each type of automobile components for the three years ending 31 December 2024.

The increase in the proposed annual caps for the years ending 31 December 2023 and 2024 are primarily due to the increase in purchases of automobile components in light of the expected increase in sales volume of Geely-branded and ZEEKR-branded vehicles driven by the introduction of new electric vehicle models in 2023 and 2024.

The Directors are of the view that the Automobile Components Procurement Agreement is entered into in the ordinary and usual course of business of the Company, on normal commercial terms, and the terms and the proposed annual caps of the Automobile Components Procurement Agreement for the three years ending 31 December 2024 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## **LETTER FROM THE BOARD**

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### **REASONS FOR AND BENEFITS OF ENTERING INTO THE AUTOMOBILE COMPONENTS PROCUREMENT AGREEMENT**

The automobile components to be sold to the Group by the Geely Holding Group pursuant to the Automobile Components Procurement Agreement (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.) will be either manufactured by the Geely Holding Group or those that are procured by the Geely Holding Group from other suppliers for onward selling to the Group. The Directors are of the view that the procurement services to be provided by the Geely Holding Group will enable the Group to secure a stable source of raw materials leveraging on the long-term relationships established between the Geely Holding Group and the suppliers of those automobile parts and components. Moreover, the automobile components to be supplied by the Geely Holding Group will be on terms no less favourable than those offered by the Geely Holding Group to other independent third parties and/or those offered to the Group by other independent third parties, and the Automobile Components Procurement Agreement will enable the Group to secure stable and reliable supply of automobile components in an efficient and responsive manner, given the long-standing cooperation and relationship between the Group and the Geely Holding Group.

Having considered the foregoing, the Directors are of the view that the Automobile Components Procurement 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 Automobile Components Procurement Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INTERNAL CONTROL MEASURES IN RELATION TO PRICING FOR THE AUTOMOBILE COMPONENTS PROCUREMENT AGREEMENT**

For the automobile parts and components to be procured by the Group which are manufactured by the Geely Holding Group which will be sold to the Group based on the prevailing market price of similar products, the Group will compare the prices offered by the Geely Holding Group to the prices offered by various independent third party suppliers and/or the prices offered by the Geely Holding Group to independent third parties for similar products by obtaining respective quotations or information on actual prices to ensure the fairness of the selling price of the automobile components offered by the Geely Holding Group. For the automobile parts and components to be procured by the Group which are procured by the Geely Holding Group from other suppliers for onward selling to the Group based on the original purchase costs plus the actual costs incurred by the Geely Holding Group, the Group and the Geely Holding Group will negotiate on a yearly basis (or more frequently if it is determined necessary) 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. Moreover, the transactions contemplated under the Automobile Components Procurement Agreement will be supervised and monitored by the Group to ensure the Automobile Components Procurement Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

#### **(C) Volvo Financing Arrangements**

Reference is made to the Company's announcement dated 24 January 2019 with respect 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 until 31 December 2021. The Volvo

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## LETTER FROM THE BOARD

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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, subject to the approvals from the regulators of the Company and the Independent Shareholders.

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 vehicle financing company incorporated in the PRC with limited liability, and is owned as to 80% by the Company and as to 20% by BNPP PF as at the Latest Practicable Date. Genius AFC is principally engaged in the provision of vehicles financing services in the PRC.

VCDC is a limited liability company incorporated in the PRC, and is wholly owned by Volvo, an indirect 97.8% owned subsidiary of Geely Holding as at the Latest Practicable Date. 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 97.8% owned subsidiary of Geely Holding; and as to (ii) 50% by Geely Holding as at the Latest Practicable Date. 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 Latest Practicable Date, Geely Holding is wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 41% of the total issued share capital of the Company as at the Latest Practicable Date, and is a connected person 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

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## LETTER FROM THE BOARD

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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 Business and the Volvo Retail Financing Business; (b) according to the agreed regional coverage, for a Volvo Dealer who is covered by the Volvo Wholesale Financing Business, use its best effort to grant subsidies to the benefit of such Volvo Dealer in order to promote the Volvo Wholesale Financing Business to such Volvo Dealer; and (c) for a Volvo Dealer who is covered by the Volvo Retail Financing Business, promote the Volvo Retail Financing Business 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

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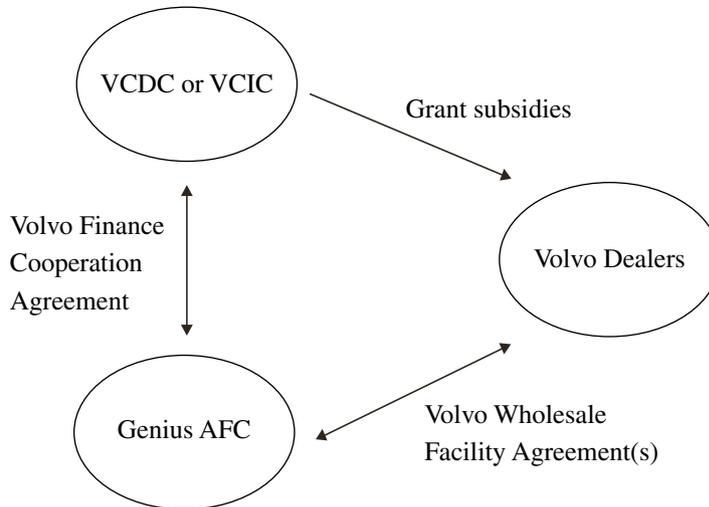
## LETTER FROM THE BOARD

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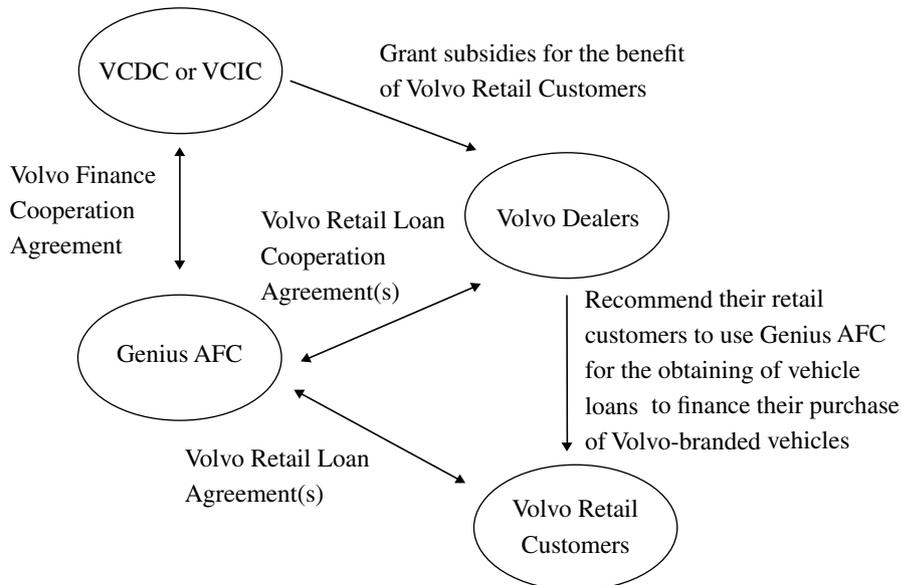
services. Notwithstanding the foregoing, should another independent vehicle financing company offer vehicle financing services under the same conditions, Genius AFC will be the preferred partner of VCDC and VCIC for the provision of vehicle financing services.

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

(1) Volvo Wholesale Financing Business



(2) Volvo Retail Financing Business



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## LETTER FROM THE BOARD

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*(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 Business and the Volvo Retail Loan Agreements with the Volvo Retail Customers for the provision of the Volvo Retail Financing Business. Genius AFC's sales and marketing department will communicate with the Volvo Dealers on an ongoing basis (including obtaining feedbacks from Volvo Dealers on the range of lending rates and other major terms offered by other vehicle financing companies) to 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, 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 Business to the Volvo Dealers and the Volvo Retail Financing Business to the Volvo Retail Customers. The interest rates, at the time of each setting, for the loans provided by Genius AFC 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. Genius AFC shall have the sole discretion in determining the final pricing of the services to be applied to the Volvo Dealers and the Volvo Retail Customers. Please refer to the paragraph headed "Continuing Connected Transactions - (C) Volvo Financing Arrangements - Relevant internal control measures – Internal control within Genius AFC" in this circular for the internal control procedures for determining the pricing of the services provided by Genius AFC. 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.

*(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 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 Business, the risk control department of Genius AFC will review the credit applications with supporting materials submitted by the Volvo 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.

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## LETTER FROM THE BOARD

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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 Volvo 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 Volvo Dealer which has sufficient experience in the auto trading business and is familiar with the Volvo brand is more likely to achieve better operating results), capital structure (such as the capitalization of the Volvo Dealers, and whether the Volvo 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 Volvo Dealers. The Volvo 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 Volvo Dealers.

In relation to the credit risk assessment procedures for the Volvo 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) *Loan term*

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

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## LETTER FROM THE BOARD

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enter into the Volvo Wholesale Facility Agreements with Genius AFC for the Volvo Wholesale Financing Business; 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 under the Volvo Retail Financing Business, 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*

During the term of the Volvo Finance Cooperation Agreements, Genius AFC will enter into the Volvo Wholesale Facility Agreements with the Volvo Dealers, pursuant to which Genius AFC will provide wholesale 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 expected to be consistent with the terms of the Volvo Finance Cooperation Agreements as disclosed above.

*(ii) Volvo Retail Loan Agreements*

During the term of the Volvo Finance Cooperation Agreements, Genius AFC will 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 Business, during the term of the Volvo Finance Cooperation Agreements, 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.

## LETTER FROM THE BOARD

### *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 2020 and the eight months ended 31 August 2021; and (ii) the annual caps for the Volvo Wholesale Financing Business for each of the three years ending 31 December 2021 and their respective utilisation rates.

	Historical transaction amounts for the year ended 31 December		Historical transaction amount for the eight months ended 31 August	Announced annual caps for the year ended/ending 31 December		
	2019	2020	2021	2019	2020	2021
	<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 Dealers under the Volvo Wholesale Financing Business	1,275.0	3,112.0	2,360.0	11,138.0	13,622.0	15,107.0
Utilisation rate of annual caps				11.4%	22.8%	15.6% <i>(Note)</i>

*Note:* Utilisation rate of the annual cap for the year ending 31 December 2021 was calculated by dividing the historical transaction amount for the eight months ended 31 August 2021 by the announced annual cap for the full financial year ending 31 December 2021.

The low utilisation rates of the annual caps for the two years ended 31 December 2020 and the eight months ended 31 August 2021 were primarily due to (i) the lower-than-expected wholesale finance coverage of the Volvo Wholesale Financing Business, which was 2.1%, 4.7% and 4.8% for 2019, 2020 and the eight months ended 31 August 2021 respectively, primarily due to (a) the delay in the commencement of the vehicle financing business, which only started in March 2019, and particularly affected the wholesale finance coverage in that year; and (b) intense competition from other financial institutions for auto wholesale financing services; and (ii) the negative impact on sales of Volvo-branded vehicles caused by COVID-19 especially in the early part of 2020. In this regard, Genius AFC has revised downward the estimated wholesale finance coverage of the Volvo Wholesale Financing Business when determining the Volvo Annual Caps (Wholesale) for the three years ending 31 December 2024 (please refer to the paragraph headed “Continuing Connected Transactions - (C) Volvo Financing Arrangements - Volvo Annual Caps – Basis of determination of the Volvo Annual Caps” in this circular for further details).

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## LETTER FROM THE BOARD

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The table below sets out the proposed Volvo Annual Caps (Wholesale) for each of the three years ending 31 December 2024.

	<b>Proposed annual caps for the year ending 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<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 Business	5,561.6	6,037.9	6,883.4

### *Volvo Annual Caps (Retail)*

The table below sets out (i) the historical transaction amounts for each of the two years ended 31 December 2020 and the eight months ended 31 August 2021; and (ii) the annual caps for the Volvo Retail Financing Business for each of the three years ending 31 December 2021 and their respective utilisation rates.

	<b>Historical transaction amounts for the year ended 31 December</b>		<b>Historical transaction amount for the eight months ended 31 August 2021</b>	<b>Announced annual caps for the year ended/ending 31 December</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<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 Business	2,658.0	4,092.0	3,921.5	7,722.0	9,444.0	12,045.0
Utilisation rate of annual caps				34.4%	43.3%	32.6% <i>(Note)</i>

*Note:* Utilisation rate of the annual cap for the year ending 31 December 2021 was calculated by dividing the historical transaction amount for the eight months ended 31 August 2021 by the announced annual cap for the full financial year ending 31 December 2021.

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## LETTER FROM THE BOARD

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The relatively low utilisation rates of the annual caps for the two years ended 31 December 2020 and the eight months ended 31 August 2021 were primarily due to (i) the lower-than-expected retail financing penetration of 10.6% of the Volvo Retail Financing Business in 2019, primarily due to the delay in the commencement of the vehicle financing business, which only started in March 2019, and particularly affected the retail financing penetration in that year; (ii) intense competition from other financial institutions for auto retail financing services; and (iii) the negative impact on sales of Volvo-branded vehicles caused by the COVID-19 especially in the early part of 2020. Notwithstanding the foregoing, with the accumulation of experience, business network and retail customers base, Genius AFC achieved considerable growth in retail financing penetration from 10.6% in 2019 to 18.5% in 2020 and further to 24.5% for the eight months ended 31 August 2021. It is expected that the retail financing penetration of the Volvo Retail Financing Business will further improve alongside the enhanced competitiveness of Genius AFC and its products in the PRC auto financing industry and gradual recovery from the COVID-19.

<b>Proposed annual caps for the year</b>		
<b>ending 31 December</b>		
<b>2022</b>	<b>2023</b>	<b>2024</b>
<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 Business	<u>7,785.2</u>	<u>8,819.4</u>	<u>10,473.0</u>
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### ***Basis of determination of the Volvo Annual Caps***

When determining the proposed Volvo Annual Caps (Wholesale), Genius AFC has taken into account (i) the projected sales volume of Volvo-branded vehicles for the three years ending 31 December 2024 which are determined after taking into account the historical sales volume in 2020 and for the eight months ended 31 August 2021 and the expected recovery from the COVID-19; (ii) the expected average wholesale loan amount for each vehicle financing transaction which was determined with reference to the historical average wholesale loan amount for each vehicle financing transaction during the eight months ended 31 August 2021; and (iii) the estimated wholesale finance coverage of the Volvo Wholesale Financing Business of 6.0% for each of the three years ending 31 December 2024 respectively. 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 Business, Genius AFC has taken into account (i) the historical wholesale finance coverage ranged from 2% to 9% from 2016 to 2020; and (ii) the current status and expected development of its business and subsidies provided by VCDC and VCIC to encourage the Volvo Dealers to choose Genius AFC for the provision of vehicle financing services.

When determining the proposed Volvo Annual Caps (Retail), Genius AFC has taken into account (i) the projected sales volume of Volvo-branded vehicles for the three years ending 31 December 2024 which are determined after taking into account the historical sales volume in 2020 and for the eight months ended 31 August 2021 and the expected market recovery from that of

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COVID-19; (ii) the expected average retail loan amount for each vehicle financing transaction which was determined with reference to the historical average retail loan amount for each vehicle financing transaction during the three years ended 31 December 2020 and the eight months ended 31 August 2021; and (iii) the estimated retail financing penetration of the Volvo Retail Financing Business of 23%, 24% and 25% for the three years ending 31 December 2024 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 Business, Genius AFC has taken into account (i) the historical retail financing penetration of 24.5% for the eight months ended 31 August 2021; and (ii) the current status and expected development of its business. The annual increment of 1% in the estimated retail financing penetration of the Volvo Retail Financing Business for 2023 and 2024 was determined after taking into account (i) the continuous growth in historical retail financing penetration from 10.6% in 2019 to 18.5% in 2020 and further to 24.5% for the eight months ended 31 August 2021; (ii) the expected introduction of electric vehicles by the Volvo Group which may have a higher demand for retail financing due to the higher retail selling price of such vehicles; and (iii) the provision of subsidies by VCDC and VCIC which would be converted into purchase price discount of the Volvo-branded vehicles would encourage Volvo Retail Customers to choose Genius AFC for the provision of vehicles financing services.

The Directors are of the view that the Volvo Annual Caps for the three years ending 31 December 2024 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **RELEVANT INTERNAL CONTROL MEASURES**

#### **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 Volvo 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 Volvo 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 Volvo 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

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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 Volvo 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.

To ensure the actual new financing amounts will not exceed the respective wholesales annual caps and the retail annual caps covered by the Volvo 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 Volvo 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 Volvo 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 Volvo 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 Volvo Dealers are entered into 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 the Volvo Wholesale Facility Agreements and Volvo Retail Loan Cooperation Agreements to be entered with the Connected Volvo Dealers and the Independent Volvo Dealers are the same. Genius AFC will monitor the retail financing business in relation to Volvo-branded vehicles to ensure that the transactions with the Volvo Dealers 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 Volvo Finance Cooperation Agreements is strictly adhered to.

### **REASONS FOR AND BENEFITS OF THE VOLVO FINANCING ARRANGEMENTS**

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

Genius AFC is a professional auto financing company owned as to 80% by the Company and as to 20% by BNPP PF as at the Latest Practicable Date and is principally engaged in the provision of auto wholesale financing solutions to auto dealers and retail financing solutions to end customers.

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In line with the practice of major global automobile companies, most PRC automobile companies have established auto financing subsidiaries or associated companies to provide auto financing services to their customers. As a result, Genius AFC was set up to provide financing services for automobile dealers and retail customers for the purchase of vehicles and to better support the development of the automobile industry. Since its establishment, Genius AFC focuses on providing auto financing services and continues to explore new business through product innovation and refined services in order to further improve the financing penetration and coverage.

In recent years, Genius AFC has successfully captured the rapid development of the auto financing industry in the PRC and its scale of assets and profitability have expanded exponentially. Its outstanding loan assets increased from approximately RMB19.4 billion at the end of year 2018 to approximately RMB46.3 billion at the end of year 2020. Its net profit increased from approximately RMB217 million in 2018 to approximately RMB732 million in 2020, representing a compound annual growth rate (i.e. CAGR) of about 83.8%. Since Genius AFC is owned as to 80% by the Company, the Company can enjoy the majority of its profit share, which provides significant contribution to the net profit of the Group. In 2020, Genius AFC contributed a share of profit of approximately RMB585 million to the Group, accounting for around 10.5% net profit of the Group and becoming a performance driver of the Group.

Genius AFC had successfully diversified its external funds channels including bilateral bank facilities, syndicated loans, interbank transaction and cross-border financing as the main financing channels. By the end of December 2020, Genius AFC had successfully launched nine asset-backed securities (“ABSs”), with a cumulative amount of RMB33.5 billion. With the steady growth of its capital bases, Genius AFC strives to continuously develop its business and grow its wholesale and retail financing services by expanding its customer base and service scope under the condition of giving priority to the auto financing services for the purchase of vehicles of the Group. At the same time, Genius AFC continues to maximise its profitability through cooperation with other vehicle manufacturers.

For the year 2020, Volvo-branded vehicles has achieved year-on-year growth of 7.6% in the PRC market despite the negative impact from the COVID-19. The increase in demand for Volvo-branded vehicles had led to an increase in corresponding demand for auto financing services. In view of the large number of participants in the PRC auto financing market, including the auto financing companies and commercial banks, the Volvo Group does not rely solely on Genius AFC to provide auto financing services and Genius AFC does not act as the exclusive provider of financing services for the Volvo-branded vehicles to be sold in the PRC. On the contrary, by capturing the increase in demand for auto financing services of Volvo-branded vehicles in the PRC, Genius AFC could further expand its retail and wholesale auto financing business and enlarge its market share and profitability. The increase in profitability of Genius AFC had in turn contributed to the increased profits shared by the Group. Besides, the Volvo brand has long been shaping as a high-end brand image throughout the world. Through cooperation with the Volvo Group, Genius AFC would be able to improve its brand image and market reputation and benefit from the rapidly developing auto financing business in the PRC.

Furthermore, as disclosed in the annual report of the Company for the year ended 31 December 2020, there are significant differences between the Geely-branded vehicles and Volvo-branded vehicles in terms of product positioning, selling price and the target customer groups. As a result, the provision of auto financing service from Genius AFC to the Volvo Group will not affect the competitiveness of the Geely-branded vehicles. Similar with the auto financing services provided to Geely-branded and LYNK & CO-branded

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## LETTER FROM THE BOARD

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vehicles, the auto financing services provided by Genius AFC for the Volvo-branded vehicles include wholesale financing service and retail financing service. Genius AFC would ensure that the terms of the auto financing services provided in relation to the purchase of Volvo-branded vehicles would not be better than the terms provided to those purchasing Geely-branded and LYNK & CO-branded vehicles. 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 of fund shortage, priority will be given to loan applications for the purchase of vehicles of the Group. Therefore, the Directors consider that the provision of the Volvo Wholesale Financing Business and the Volvo Retail Financing Business by Genius AFC would not result in a deprivation of funds available for loan applications in relation to the purchase of vehicles of the Group.

The Directors are of the view that the terms of the Volvo Financing Arrangements (including the Volvo 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.

**(D) Revision of annual caps for the transactions under the Existing Master CKDs and Automobile Components Purchase Agreement**

Reference is made to the Company's announcement dated 4 November 2020 in relation to the Existing Master CKDs and Automobile Components Purchase Agreement.

In view of the higher-than-expected market demand of the new models under the ZEEKR and Geely brands since their introduction in 2021, it is expected that the annual caps for the transactions under the Existing Master CKDs and Automobile Components Purchase Agreement will not be sufficient. As such, on 15 October 2021 (after trading hours), the Company entered into the Supplemental Master CKDs and Automobile Components Purchase Agreement with Geely Holding to increase the annual caps for the purchase of CKDs and automobile components by the Group from the Geely Holding Group for the remaining term of the Existing Master CKDs and Automobile Components Purchase Agreement.

***Supplemental Master CKDs and Automobile Components Purchase Agreement***

The information below sets out the key terms of the Existing Master CKDs and Automobile Components Purchase Agreement and the Supplemental Master CKDs and Automobile Components Purchase Agreement:

***Date***

15 October 2021 (after trading hours)

***Parties***

Vendor: Geely Holding

Purchaser: The Company

Please refer to the paragraph headed "Continuing Connected Transactions - (A) Services Agreement – Parties" in this circular for further details regarding the Company and Geely Holding.

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## LETTER FROM THE BOARD

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### *Subject matter*

Pursuant to the Supplemental Master CKDs and Automobile Components Purchase Agreement, it was conditionally agreed that the Group will purchase CKDs and automobile components from the Geely Holding Group.

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 Group than terms available to or from (as applicable) other independent third parties to the Group.

### *Term*

The Supplemental Master CKDs and Automobile Components Purchase Agreement has a term from its effective date to 31 December 2023.

### *Termination*

Either party may terminate the Supplemental Master CKDs and Automobile Components Purchase Agreement (i) by giving the other party 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 Supplemental Master CKDs and Automobile Components Purchase Agreement due to force majeure; or (b) Geely Holding and its associates cease to be connected persons of the Company.

### *Pricing basis*

Pursuant to the Existing Master CKDs and Automobile Components Purchase Agreement and the Supplemental Master CKDs and Automobile Components Purchase Agreement, the CKDs and automobile components 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 by an independent certified public accountant (the "**Purchase Pricing Analysis Report**"), the margin rate of CKDs and other automobile components is the median three-year weighted average cost-plus-margins of comparable companies focusing on contract manufacturing of automobile parts and components. The

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## LETTER FROM THE BOARD

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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 Supplemental Master CKDs and Automobile Components Purchase Agreement. Having considered the pricing basis with reference to the Purchase Pricing Analysis Report and the fact that the pricing basis remains unchanged as compared to the Existing Master CKDs and Automobile Components Purchase Agreement, the Directors consider the pricing basis under the Supplemental Master CKDs and Automobile Components Purchase Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for the update of the subject matter, the update of the condition precedent and the increase in the annual caps for the three years ending 31 December 2023 as detailed below, the major terms of the Existing Master CKDs and Automobile Components Purchase Agreement remain unchanged.

### ***Subject matter***

Pursuant to the Existing Master CKDs and Automobile Components Purchase Agreement, it was conditionally agreed that the Group will purchase Geely-branded CKDs and automobile components from the Geely Holding Group.

Pursuant to the Supplemental Master CKDs and Automobile Components Purchase Agreement, it was conditionally agreed that the Group will purchase CKDs and automobile components from the Geely Holding Group.

### ***Condition precedent to the Supplemental Master CKDs and Automobile Components Purchase Agreement***

The Supplemental Master CKDs and Automobile Components Purchase Agreement is conditional upon approval the passing of an ordinary resolution by the Independent Shareholders at the EGM.

If the above condition has not been fulfilled on or before 31 December 2021 (or such later date as the parties may agree in writing), the Supplemental Master CKDs and Automobile Components Purchase Agreement will lapse and all the obligations and liabilities of the parties under the Supplemental Master CKDs and Automobile Components Purchase Agreement will cease and terminate.

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## LETTER FROM THE BOARD

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### ***Historical transaction amounts and Proposed Revised Annual Caps for the purchase of CKDs and automobile components***

The table below sets out the historical transaction amount for the eight months ended 31 August 2021, and the Proposed Revised Annual Caps for the purchase of CKDs and automobile components pursuant to the Supplemental Master CKDs and Automobile Components Purchase Agreement for the three years ending 31 December 2023.

	Historical transaction amount for the eight months ended 31 August 2021 (Unaudited) <i>RMB million</i>	Proposed Revised Annual Caps for the purchase of CKDs and automobile components 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	2,748.0	13,042.1	44,855.6	58,836.5
Original annual cap amounts for the three financial years ending 31 December 2023		11,953.9	26,346.8	23,842.7
Utilisation rate of original annual cap		23.0% (Note)		

*Note:* Utilisation rate of the original annual cap for the year ending 31 December 2021 was calculated by dividing the historical transaction amount for the eight months ended 31 August 2021 by the original annual cap for the full financial year ending 31 December 2021.

The relatively low utilisation rate of the annual cap for the eight months ended 31 August 2021 was primarily due to (i) the lower demand for CKDs as a result of the lack of new vehicle models in the first half of 2021 as one of the new models under Geely brand was only launched in the second half of 2021; and (ii) the decrease in demand of CKDs and automobile components in relation to one of the Geely-branded vehicle models in the first half of 2021 due to downward market demand.

### ***Basis of determination of the Proposed Revised Annual caps for the purchase of CKDs and automobile components***

The Proposed Revised Annual Caps for the purchase of CKDs and automobile components have been determined by the Directors with reference to:

- (i) the estimated number of units of CKDs and the automobile components in relation to the existing and new vehicle models under the ZEEKR and Geely brands, which were in turn determined mainly based on the projected unit sales of these vehicle models for the three years ending 31 December 2023 after taking into consideration the strong market feedback during the pre-sale stage and the expected introduction of new vehicle models in 2022 and 2023 respectively;

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## LETTER FROM THE BOARD

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- (ii) the estimated costs of manufacturing CKDs and automobile components in relation to the existing and new vehicle models under the ZEEKR and Geely brands (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 over such estimated manufacturing costs of CKDs and automobile components respectively with reference to the Purchase Pricing Analysis Report.

The Proposed Revised Annual Caps for the year ending 31 December 2021 is significantly higher than the historical transaction amount for the eight months ended 31 August 2021 due to the expected increase in purchase of CKDs and automobile components of the new ZEEKR-branded and Geely-branded vehicle models in light of the market orders received in the second half of 2021. The significant increase in the Proposed Revised Annual Caps for the purchase of CKDs and automobile components for the years ending 31 December 2022 and 2023 are primarily due to the increase in projected sales volume of ZEEKR-branded vehicles in light of the expected introduction of new ZEEKR-branded vehicle models in 2022 and 2023 respectively.

The Directors are of the view that the Proposed Revised Annual Caps for the purchase of CKDs and automobile components 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 SUPPLEMENTAL MASTER CKDs AND AUTOMOBILE COMPONENTS PURCHASE AGREEMENT**

Pursuant to the Existing Master CKDs and Automobile Components Purchase Agreement, the Group will procure CKDs and automobile components for the use in the Geely-branded vehicles from the Geely Holding Group. Since ZEEKR adopts an asset-light operation model, it is also the plan of the Group to procure CKDs and automobile components for use in the ZEEKR-branded vehicles as it will incur higher production costs if the Group sets up its own production facilities solely for ZEEKR-branded vehicles, which would have negative financial impact to the Group. The arrangement under the Existing Master CKDs and Automobile Components Purchase Agreement will (i) allow the Group to benefit from cost efficiencies of sharing the same production facilities and saving significant cost in capital investment, (ii) enable the Group to secure stable and reliable supply of automobile components in an efficient and responsive manner, given the long-standing cooperation and relationship between the Group and the Geely Holding Group; and (iii) avoid leakage of the core technology of the ZEEKR Group to independent third parties.

If the Group does not procure CKDs and automobile components for ZEEKR-branded vehicles from the Geely Holding Group, those CKDs and automobile components would have to be produced by the Group itself. Assuming that the Group was able to achieve the same production efficiency, the main difference in financial effect between the production by the Group itself and procurement of CKDs and automobile components from Geely Holding Group is the service cost of final assembly on the CKDs charged by the Geely Holding Group. Such difference is expected to be insignificant to the Group for the three years ending 31 December 2023.

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## LETTER FROM THE BOARD

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The Group received significant volume of purchase orders for new models under the ZEEKR and Geely brands since their introduction in 2021. Due to the better-than-expected market demand for the new models of the Group, it is expected that the annual caps for the transactions under the Existing Master CKDs and Automobile Components Purchase Agreement will not be sufficient. As such, the entering into of the Supplemental Master CKDs and Automobile Components Purchase Agreement will enable the Group to meet the increased demand for CKDs and automobile components and thus facilitate the sale of Geely-branded and ZEEKR-branded vehicles.

The Directors are of the view that the Proposed Revised Annual Caps for the purchase of CKDs and automobile components under the Supplemental Master CKDs and Automobile Components Purchase Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **INTERNAL CONTROL MEASURES IN RELATION TO PRICING FOR THE SUPPLEMENTAL MASTER CKDs AND AUTOMOBILE COMPONENTS PURCHASE AGREEMENT**

The internal control measures in relation to pricing remain unchanged under the Supplemental Master CKDs and Automobile Components Purchase Agreement. The Group will monitor the relevant costs and expenses to ensure the fairness of the purchase price of such CKDs and automobile components according to the aforesaid pricing basis for the Supplemental Master CKDs and Automobile Components Purchase Agreement. In particular, the finance department of the Group will be responsible for supervising and reviewing the reasonableness of costs arising from the purchase of CKDs and automobile components from the Geely Holding Group by the Group. The finance department of the Group will obtain the actual costs from the Geely Holding Group, and review whether the calculation and allocation of the costs are reasonable. 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 a 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.

In relation to the aforesaid internal control measures for the Continuing Connected Transactions, the internal audit department of the Group will conduct assessment on the internal control measures for all Continuing Connected Transactions to ensure such internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on 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. The Company also engages its independent auditor to report on Continuing Connected Transactions every year. The independent auditor reviews and confirms whether Continuing Connected Transactions have been approved by the Board; have been conducted in accordance with the pricing policies of the relevant agreement governing the Continuing Connected Transactions; and have not exceeded the relevant annual caps.

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## LETTER FROM THE BOARD

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### IMPLICATIONS UNDER THE LISTING RULES

#### **Services Agreement, Automobile Components Procurement Agreement and Supplemental Master CKDs and Automobile Components Purchase Agreement**

As at the Latest Practicable Date, 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% of the total issued share capital of the Company as at the Latest Practicable Date, 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 Services Agreement, Automobile Components Procurement Agreement and Supplemental Master CKDs and Automobile Components Purchase 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 Services Agreement, Automobile Components Procurement Agreement and Supplemental Master CKDs and Automobile Components Purchase Agreement exceed 5% on an annual basis, the transactions contemplated under the Services Agreement, Automobile Components Procurement Agreement and Supplemental Master CKDs and Automobile Components Purchase Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules respectively.

#### **Volvo Financing Arrangements**

As at the Latest Practicable Date, Genius AFC is owned as to 80% by the Company and as to 20% by BNPP PF.

As at the Latest Practicable Date, (i) VCDC is wholly owned by Volvo, an indirect 97.8% owned subsidiary of Geely Holding; and (ii) VCIC is owned as to 50% by Volvo and as to 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 41% of the total issued share capital of the Company as at the Latest Practicable Date, and is a connected person of the Company. Accordingly, each of VCDC, VCIC and Geely Holding is an associate of Mr. Li and a connected person of the Company under the Listing Rules.

The Volvo Dealers as defined in the Volvo Finance Cooperation Agreements include both the Connected Volvo Dealers and Independent Volvo Dealers, which will be covered by the Volvo Financing Arrangements. Since the Connected Volvo Dealers are connected persons of the Company, the transactions between Genius AFC and the Connected Volvo Dealers contemplated under the Volvo Financing Arrangements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For the Independent Volvo Dealers and the Volvo 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 Volvo Dealers and the Volvo Retail Customers will use the loans provided by Genius AFC to purchase Volvo-branded vehicles from VCDC and VCIC, who are connected persons of the Company under the Listing Rules.

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## LETTER FROM THE BOARD

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

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

Mr. Li and his associates together holding 4,042,618,000 Shares (representing approximately 41.2% of the total issued share capital of the Company), Mr. Yang Jian and his associates together holding 6,000,000 Shares (representing approximately 0.06% of the total issued share capital of the Company), Mr. Li Dong Hui, Daniel and his associates together holding 4,504,000 Shares (representing approximately 0.05% of the total issued share capital of the Company), and Mr. An Cong Hui and his associates together holding 7,526,000 Shares (representing approximately 0.08% of the total issued share capital of the Company) as at the Latest Practicable Date, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Continuing Connected Transactions.

### **EGM**

The EGM will be convened to consider and approve the Continuing Connected Transactions. A notice to convene the EGM is set out on pages EGM-1 to EGM-4 of this circular.

The EGM will be held at Boardroom 6, M/F, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on Monday, 6 December 2021 at 4:00 p.m.. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be).

### **RECOMMENDATION**

The Independent Board Committee has been established to advise the Independent Shareholders whether the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

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## LETTER FROM THE BOARD

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The text of the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 47 to 87 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 45 to 46 of this circular.

The Board (including the independent non-executive Directors) considers that, the Continuing Connected Transactions (including their respective annual caps) are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser, which are respectively set out on pages 45 to 46 and pages 47 to 87 of this circular. Additional information is also set out in the appendix I to this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Continuing Connected Transactions prepared for the purpose of incorporation in this circular.*

# GEELY

吉利汽車控股有限公司

## GEELY AUTOMOBILE HOLDINGS LIMITED

*(Incorporated in Cayman Islands with limited liability)*

(Stock code: 175)

16 November 2021

*To the Independent Shareholders,*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 16 November 2021 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise you as an Independent Shareholder whether the Independent Board Committee is of the view that the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 10 to 44 of the Circular and the letter from the Independent Financial Adviser as set out on pages 47 to 87 of the Circular which contains, inter alia, their advice and recommendation to us regarding the terms of the Continuing Connected Transactions with the principal factors and reasons for those advice and recommendation.

### RECOMMENDATION

Having taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that, the Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Continuing Connected Transactions.

Yours faithfully,

For and on behalf of the Independent Board Committee of  
**Geely Automobile Holdings Limited**

**Mr. Lee Cheuk Yin, Dannis**

**Mr. Yeung Sau Hung, Alex**

**Mr. An Qing Heng**

**Mr. Wang Yang**

**Ms. Lam Yin Shan, Jocelyn**

**Ms. Gao Jie**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**BALLAS**  
C A P I T A L

Unit 1802, 18/F  
1 Duddell Street  
Central  
Hong Kong

16 November 2021

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sir or Madam,

**(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS; AND  
(II) REVISION OF ANNUAL CAPS IN RELATION TO  
CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions in relation to (i) the Services Agreement; (ii) the Automobile Components Procurement Agreement; (iii) the Volvo Financing Arrangements; and (iv) the Supplemental Master CKDs and Automobile Components Purchase Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 16 November 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 15 October 2021, in view of the expiry of (i) the 2018 Services Agreement and (ii) the 2018 Automobile Components Procurement Agreement, the Company and Geely Holding entered into (i) the Services Agreement, pursuant to which (a) the Group conditionally agreed to sell CKDs to the Geely Holding Group (the “**CKDs Transactions**”); and (b) the Group conditionally agreed to purchase CBUs from the Geely Holding Group (the “**CBUs Transactions**”), for a term of three years from 1 January 2022 to 31 December 2024; and (ii) the Automobile Components Procurement Agreement, pursuant to which the Group conditionally agreed to procure automobile components from the Geely Holding Group (the “**Procurement Transactions**”), for a term of three years from 1 January 2022 to 31 December 2024. Pursuant to the Services Agreement and the Automobile Components Procurement Agreement (as the case may be), the respective annual caps for the three years ending 31 December 2024 in respect of (i) the CKDs Transactions will be approximately RMB92,051.6 million, RMB104,297.6 million and RMB120,281.0 million, respectively; (ii) the CBUs Transactions will be approximately RMB95,467.2 million, RMB108,327.2

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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million and RMB124,704.7 million, respectively (collectively, the “**Service Caps**”); and (iii) the Procurement Transactions will be approximately RMB6,779.3 million, RMB7,930.1 million and RMB9,220.2 million, respectively (the “**Procurement Caps**”).

Reference is made to the Company’s announcement dated 24 January 2019 in relation to the Volvo Finance Cooperation Agreements, pursuant to which Genius AFC agreed to provide vehicle financing services to the Volvo Dealers and the Volvo Retail Customers in respect of the Volvo-branded vehicles in the PRC for 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, subject to the approvals of the regulators of the Company and the Independent Shareholders. On 15 October 2021, the Company announced the maximum new financing amounts to be provided by Genius AFC to the Volvo Dealers will be approximately RMB5,561.6 million, RMB6,037.9 million and RMB6,883.4 million, and that to the Volvo Retail Customers will be approximately RMB7,785.2 million, RMB8,819.4 million and RMB10,473.0 million, for the three years ending 31 December 2024 respectively.

As set out in the Letter from the Board, in view of the higher-than-expected market demand for the new models under the ZEEKR and Geely brands since their introduction in 2021, it is expected that the annual caps for the transactions under the Existing Master CKDs and Automobile Components Purchase Agreement will not be sufficient. As such, on 15 October 2021 (after trading hours), the Company entered into the Supplemental Master CKDs and Automobile Components Purchase Agreement with Geely Holding to increase the annual caps for the purchase of CKDs and automobile components by the Group from the Geely Holding Group contemplated under the Existing Master CKDs and Automobile Components Purchase Agreement (the “**CKDs and Automobile Components Purchase Transactions**”) for the three years ending 31 December 2023 from approximately RMB11,953.9 million, RMB26,346.8 million and RMB23,842.7 million to approximately RMB13,042.1 million, RMB44,855.6 million and RMB58,836.5 million, respectively.

As at the Latest Practicable Date, 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% of the total issued share capital of the Company as at the Latest Practicable Date, 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 Services Agreement, Automobile Components Procurement Agreement and Supplemental Master CKDs and Automobile Components Purchase 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 Services Agreement, Automobile Components Procurement Agreement and Supplemental Master CKDs and Automobile Components Purchase Agreement exceed 5% on an annual basis, the transactions contemplated under the Services Agreement, Automobile Components Procurement Agreement and Supplemental Master CKDs and Automobile Components Purchase Agreement are subject to the reporting, annual review, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules respectively.

As at the Latest Practicable Date, Genius AFC is owned as to 80% by the Company and as to 20% by BNPP PF. As at the Latest Practicable Date, (i) VCDC is wholly owned by Volvo, an indirect 97.8% owned subsidiary of Geely Holding; and (ii) VCIC is owned as to 50% by Volvo and as to 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Shareholder holding approximately 41% of the total issued share capital of the Company as at the Latest Practicable Date, and is a connected person of the Company. Accordingly, each of VCDC, VCIC and Geely Holding is an associate of Mr. Li and a connected person of the Company for the purpose of the Listing Rules. The Volvo Dealers as defined in the Volvo Finance Cooperation Agreements include both the Connected Volvo Dealers and the Independent Volvo Dealers, which will be covered by the Volvo Financing Arrangements. Since the Connected Volvo Dealers are connected persons of the Company, the transactions between Genius AFC and the Connected Volvo Dealers contemplated under the Volvo Financing Arrangements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For the Independent Volvo Dealers and the Volvo 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 Volvo Dealers and the Volvo Retail Customers will use the loans provided by Genius AFC to purchase Volvo-branded vehicles from VCDC and VCIC, who are connected persons of the Company under the Listing Rules. As the applicable percentage ratios for the proposed Volvo Annual Caps on an aggregated basis exceed 5% annually, the Volvo Finance Cooperation Agreements together with the Volvo Annual Caps are subject to the reporting, annual review, announcement, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders with respect to the transactions contemplated under (i) the Services Agreement, (ii) the Automobile Components Procurement Agreement, (iii) the Volvo Financing Arrangements; and (iv) the Supplemental Master CKDs and Automobile Components Purchase Agreement (collectively, the “**Continuing Connected Transactions**”) (including their respective proposed annual caps or revised annual caps, as the case may be).

### INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of the Continuing Connected Transactions or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for (i) the appointment as the independent financial adviser in relation to the acquisition of CEVT and Haohan Energy, the subscription of the Ningbo Viridi and certain continuing connected transactions resulting from the aforesaid acquisitions and subscription, as defined and disclosed in the circular of the Company dated 5 August 2021; (ii) the appointment as the independent financial adviser in relation to the acquisition of equity interests in ZEEKR involving issue of consideration shares as defined and disclosed in the announcement of the Company dated 29 October 2021; and (iii) this appointment as the independent financial adviser in relation to the Continuing Connected Transactions, we did not have any other relationship with or interests in the Company, the counterparties of the Continuing Connected Transactions or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Company that could reasonably be regarded as hindrance to our independence as defined under the Listing Rules. Accordingly, we consider we are eligible to give independent advice on the terms of the Continuing Connected Transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the counterparties of the Continuing Connected Transactions or any of their respective subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### **1. Information of the Group and the counterparties**

##### ***1.1. Background of the Group, and the counterparties of the Continuing Connected Transactions***

###### *The Group*

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

###### *The Geely Holding Group*

The Geely Holding Group is principally engaged in the sales of automobiles and related parts and components wholesale and retail business. As at the Latest Practicable Date, Geely Holding is wholly owned by Mr. Li and his associate. Mr. Li is an executive Director and a substantial Shareholder holding approximately 41% of the total issued share capital of the Company as at the Latest Practicable Date, and is a connected person of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Genius AFC*

Genius AFC is a vehicle financing company incorporated in the PRC with limited liability, and is owned as to 80% by the Company and as to 20% by BNPP PF as at the Latest Practicable Date. Genius AFC is principally engaged in the provision of vehicles financing services in the PRC.

### *VCDC*

VCDC is a limited liability company incorporated in the PRC, and is wholly owned by Volvo, an indirect 97.8% owned subsidiary of Geely Holding as at the Latest Practicable Date. VCDC is principally engaged in the distribution of imported Volvo-branded vehicles in the PRC.

### *VCIC*

VCIC is a limited liability company incorporated in the PRC, and is owned as to (i) 50% by Volvo, an indirect 97.8% owned subsidiary of Geely Holding; and as to (ii) 50% by Geely Holding as at the Latest Practicable Date. VCIC is principally engaged in the distribution of Volvo-branded vehicles manufactured domestically in the PRC.

### ***1.2. Historical financial performance of the Group***

Set out below is a summary of the financial results of the Group for the years ended 31 December 2019 and 2020 (“**FY2019**” and “**FY2020**”) and the six months ended 30 June 2020 and 2021 (“**1H2020**” and “**1H2021**”) as extracted from the respective financial reports.

	<b>FY2019</b>	<b>FY2020</b>	<b>1H2020</b>	<b>1H2021</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
– Sales of automobiles and related services	91,843	83,814	33,721	39,312
– Sales of automobile parts and components	5,130	6,989	2,675	4,636
– Research and development and related technological support services	–	745	–	447
– Licensing of intellectual properties	428	566	424	637
Total revenue	97,401	92,114	36,820	45,032
Gross profit	16,917	14,737	6,302	7,759
Profit attributable to equity holders	8,190	5,534	2,297	2,381

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *1H2021 versus 1H2020*

As disclosed in the interim report of the Group for 1H2021, the Group sold a total of 630,237 units of vehicles in 1H2021, representing an increase of approximately 19% from 1H2020, and the export sales volume of the Group surged by approximately 173% to 53,422 units in 1H2021. Total revenue of the Group increased by approximately 22% to approximately RMB45.0 billion in 1H2021 as compared to 1H2020. Gross margin ratio in 1H2021 was relatively stable as the impact from higher raw materials costs was largely offset by improving product mix. The approximately 22% increase in administrative expenses (excluding share-based payments) during the period was primarily attributable to the increase in amortisation expenses as a result of substantial investment in research and development over the past years. Despite the inclusion of share-based payments amounted to approximately RMB641 million under staff costs during the period, profit attributable to the equity holders of the Company in 1H2021 was still up approximately 4% to approximately RMB2.38 billion as compared to 1H2020. Excluding share-based payments, the profit attributable to the equity holders of the Company was up approximately 31% to approximately RMB3.02 billion during the period.

### *FY2020 versus FY2019*

As disclosed in the annual report of the Group for FY2020, the Group sold a total of 1,320,217 units of vehicles in 2020, down 3% from 2019 and the total revenue decreased by 5% to RMB92.1 billion in 2020. Despite a 19% year-on-year decline in its overall sales volume in the first half of 2020, the Group's sales volume rebounded strongly in the second half of 2020, up 11% from the same period of the previous year. On the other hand, the export sales volume of the Group increased significantly by 25% to 72,691 units in 2020. Gross margin, however, was affected by higher discounts and incentives offered to dealers during the national lockdown in the earlier part of the year. The selling and distribution expenses during the year were kept at relatively high levels to maintain the competitiveness of the Group's dealers in a highly competitive market. The 13% increase in administrative expenses during the year was primarily due to the increase in total expenses in relation to the research and development activities. As a result, the Group's profit attributable to equity holders decreased by 32% to RMB5.5 billion in 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.3. *Financial position of the Group*

Set out below is a summary of the financial position of the Group as at 30 June 2021 as extracted from its interim report for 1H2021.

	<b>As at 30 June 2021</b> <i>RMB million</i> (Unaudited)
Non-current assets	59,055
Current assets	49,744
Non-current liabilities	4,828
Current liabilities	38,402
<b>Net assets</b>	<b>65,569</b>

As at 30 June 2021, total assets of the Group amounted to approximately RMB108.8 billion, which mainly comprised (i) trade and other receivables of approximately RMB26.5 billion, (ii) property, plant and equipment of approximately RMB26.3 billion, (iii) bank balances and cash of approximately RMB19.8 billion, and (iv) intangible assets of approximately RMB18.3 billion.

As at 30 June 2021, total liabilities of the Group amounted to approximately RMB43.2 billion, which mainly comprised (i) trade and other payables of approximately RMB38.5 billion, (ii) bank borrowings of approximately RMB1.9 billion, and (iii) bonds payable of approximately RMB1.9 billion.

As at 30 June 2021, the Group recorded net assets of approximately RMB65.6 billion.

## 2. **The Services Agreement**

### 2.1. *Principal terms of the Services Agreement*

Pursuant to the 2018 Services Agreement, (i) the Group conditionally agreed to sell CKDs to the Geely Holding Group; and (ii) the Group conditionally agreed to purchase CBUs, automobile parts and components from the Geely Holding Group. In light of the upcoming expiry of the 2018 Services Agreement, on 15 October 2021 (after trading hours), the Company and Geely Holding entered into the Services Agreement pursuant to which (i) the Group conditionally agreed to sell CKDs to the Geely Holding Group; and (ii) the Group conditionally agreed to purchase CBUs from the Geely Holding Group. Principal terms of the Services Agreement are set out below:

*Date*

15 October 2021 (after trading hours)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Parties*

The Company and Geely Holding

### *Term*

From 1 January 2022 to 31 December 2024

### *Condition precedent*

The Services Agreement is conditional upon approval by the Independent Shareholders at the EGM.

### *Termination*

In addition to the non-fulfillment of the condition precedent above, the Services Agreement may be terminated if:

- (i) a written agreement is entered into between the parties to terminate the Services 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 a result of material violation of the laws or regulations, declares bankruptcy, is unable to perform its obligations under the Services Agreement due to force majeure; or
  - (iii) Geely Holding and its associates cease to be connected persons of the Company.
- (1) CKDs Transactions

### Subject matter

Pursuant to the Services Agreement, the Group conditionally agreed to sell, and the Geely Holding Group conditionally agreed to purchase, CKDs manufactured by the Group.

During the course of the Services Agreement, the Geely Holding Group may request additional services other than the aforesaid services from the Group which will be based on normal commercial terms and determined by the parties to the Services Agreement on arm's length basis and in compliance with the Listing Rules. Such additional services, if any, will be related to services (such as modification of CKDs) that may be required in the process of manufacturing CKDs for new vehicle models in the future. Since the commencement of the 2009 Services Agreement and up to the Latest Practicable Date, the Geely Holding Group has not requested for such additional services from the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The CKDs Transactions 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 Group than terms available to or from (as applicable) other independent third parties.

### Pricing basis

Pursuant to the Services Agreement, the CKDs, depending on the specifications and models, will be sold to the Geely Holding Group based on the selling prices of CBUs to end customers, less distribution costs, the applicable PRC taxes (being mainly consumption tax and value-added tax) and other necessary and reasonable expenses (such as staff salary and other office expenses), plus any new energy vehicle subsidies received (in the case of electric vehicles).

### Internal control measures

For the sales of CKDs by the Group, the operation department of the Group will review the relevant cost and benefit items, which include mainly distribution costs, the applicable PRC taxes, the national new energy vehicle subsidies and other necessary expenses, and will coordinate with the sales department of the Group to ensure that the selling price of CKDs are determined properly. The finance department of the Group will review the aforesaid works carried out by the operation department as well as the cost and expenses reports generated by the accounting systems on a quarterly basis to ensure the continuing connected transactions being implemented in accordance with the pricing policies. The Group and the Geely Holding Group will negotiate on a yearly basis (or more frequently if it is determined necessary) the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by the Group in such transactions.

We have obtained and reviewed the internal control reports for each of the year ended 31 December 2019 and 2020 prepared by the finance department of the Group and note that the Group reviews (i) the utilisation of the respective annual caps; and (ii) the implementation of the pricing policies for its continuing connected transactions (including the CKDs Transactions).

## (2) CBUs Transactions

### Subject matter

Pursuant to the Services Agreement, the Group conditionally agreed to purchase, and the Geely Holding Group conditionally agreed to sell, CBUs.

The CBUs Transactions 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 Group than terms available to or from (as applicable) other independent third parties to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Pricing basis

Pursuant to the Services Agreement, the CBUs, depending on the vehicle models, will be sold to the Group based on the selling prices of CBUs to end customers, less distribution costs.

### Internal control measures

For the purchases of CBUs by the Group, the sales department of the Group will keep track of the expected selling price of vehicles and relevant cost items, which mainly include distribution costs, and will review such information on a monthly basis and determine the selling price of vehicles on a quarterly basis when the market is stable (or more frequently if it is determined necessary) to ensure the fairness of the selling price of the CBUs. The finance department of the Group will review the aforesaid works carried out by the sales department on a quarterly basis to ensure that the continuing connected transactions are being implemented in accordance with the pricing policies.

We have obtained and reviewed the internal control reports for each of the year ended 31 December 2019 and 2020 prepared by the finance department of the Group and note that the Group reviews (i) the utilisation of the respective annual caps; and (ii) the implementation of the pricing policies for its continuing connected transactions (including the CBUs Transactions).

### ***2.2. Reasons for and benefits of entering into the Services Agreement***

As set out in the Letter from the Board, pursuant to the Services Agreement, the Group will sell CKDs to the Geely Holding Group, and purchase CBUs from the Geely Holding Group for a term of three years from 1 January 2022 to 31 December 2024. Under the Services Agreement, the Geely Holding Group will perform final assembly of the CKDs purchased from the Group, facilitate payment of the PRC consumption tax, and then sell the CBUs assembled from the CKDs back to the Group for distribution to end customers.

As at the Latest Practicable Date, the Group is not in possession of the Automobile Catalogue, which is required to effect payment of the PRC consumption tax, due to the restriction imposed on foreign automobile manufacturers to possess the Automobile Catalogue. As such, the Directors are of the view that the arrangement under the Services Agreement will ensure smooth operation of the Group as the services to be provided by the Geely Holding Group, which possesses the Automobile Catalogue, will facilitate the payment of the PRC consumption tax. As advised by the PRC legal adviser to the Group, the arrangement under the Services Agreement does not violate the relevant laws and regulations in the PRC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group is uncertain when such restriction on foreign automobile manufacturers would be lifted, therefore it is uncertain when the Group will possess the said Automobile Catalogue. As advised by the Directors, as soon as it is permissible under the relevant PRC laws, the Group will proactively obtain necessary approval for the Automobile Catalogue from relevant authorities to reduce reliance on the Geely Holding Group in this regard.

As advised by the PRC legal adviser to the Group, once the restriction imposed on foreign automobile manufacturers is removed and upon satisfaction of the relevant requirements including licensing and other requirements, there are no material legal impediments for the Group to obtain the Automobile Catalogue.

In respect of the manufacturing of CBUs for new energy vehicles, the Group is currently not in possession of the Automobile Catalogue for new energy vehicles as it is impracticable for the Group to separate its own production facilities for fuel-consumption vehicles and new energy vehicles in order to obtain Automobile Catalogue in particular for the new energy vehicles. This is because the production facilities, research and development functions, and other supportive systems for fuel-consumption vehicles and new energy vehicles held by the Group are impartible. If the Group segregates its own production facilities solely for new energy vehicles, it will incur higher production costs which would have a negative financial impact to the Group.

Pursuant to the arrangement under the Services Agreement, the sale of CKDs from the Group to the Geely Holding Group are solely for final assembly into CBUs by the Geely Holding Group and the CBUs will be purchased back by the Group for subsequent distribution to end customers. Therefore, the net financial effect on the Group is represented as the service cost of final assembly on the CKDs charged by the Geely Holding Group and the relevant consumption taxes levied on the CBUs upon being sold back to the Group, which are included in the “Cost of sales” in the consolidated income statement of the Group. As the net financial effect of the 2018 Services Agreement to total purchase was not material for the year ended 31 December 2020, the Group has not heavily relied on the Geely Holding Group or other companies controlled by Mr. Li for the Group’s procurement activities.

Based on the analysis above, (i) the arrangement under the Services Agreement is simply designed to facilitate smooth operation of the Group under the current laws and regulations of the PRC and the Group will proactively reduce the reliance on the Geely Holding Group when the relevant laws and regulations permit such; and (ii) the Group’s procurement activities have not heavily relied on the Geely Holding Group or other companies controlled by Mr. Li.

Having considered the aforesaid regulatory requirement under the PRC laws regarding the Automobile Catalogue and the fact that the Group is not in possession of such Automobile Catalogue, we are of the view that the CKDs Transactions and the CBUs Transactions will continue to ensure smooth operation of the Group, and the entering into of the Services Agreement is conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2.3. Fairness and reasonableness of the Service Caps

#### *Historical transaction amounts and annual caps under the 2018 Services Agreement*

The table below sets out (i) the historical transaction amounts for the two years ended 31 December 2020 and the eight months ended 31 August 2021 (“8M2021”); and (ii) the annual caps for the CKDs Transactions and the CBU Transactions pursuant to the 2018 Services Agreement for the three years ending 31 December 2021 (“FY2019”, “FY2020” and “FY2021”):

	Historical transaction amounts for			Announced annual caps for		
	FY2019	FY2020	8M2021	FY2019	FY2020	FY2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Audited)	(Audited)	(Unaudited)			
CKDs Transactions	83,133.0	73,787.0	44,860.1	191,208.9	250,203.1	293,775.4
Utilisation rate of annual caps of the CKDs Transactions				43.5%	29.5%	15.3% (Note)
CBUs Transactions	83,345.0	76,280.0	46,611.9	192,992.5	250,201.9	303,907.9
Utilisation rate of annual caps of the CBU Transactions				43.2%	30.5%	15.3% (Note)

*Note:* Utilisation rate of the annual caps for FY2021 was calculated by dividing the historical transaction amount for 8M2021 by the announced annual cap for the full financial year ending 31 December 2021.

As set out in the Letter from the Board, the relatively low utilisation rates of the annual caps for the CKDs Transactions and the CBU Transactions for FY2019, FY2020 and 8M2021 were mainly due to (i) relatively large annual caps for the three years ending 31 December 2021 as a result of optimistic expectations on the Group’s sales volume based on the good sales performance in 2017 and 2018, the Group achieved an increase in sales volume of 62.8% in 2017 and 20.3% in 2018, and a sales revenue growth of 74.3% in 2017 and 32.2% in 2018; and (ii) weak passenger vehicle market in the PRC since 2019 as a result of economic uncertainties and the implementation of new emission standards which affected the demand for conventional passenger vehicles, along with the outbreak of the COVID-19 and the global chip shortage since 2020, which led to the decrease in overall sales volume of passenger vehicles in the PRC by 10% and 6% in 2019 and 2020, respectively. As the demand for passenger vehicles in the PRC has dropped in 2019 and 2020, sales volume of the Group dropped by 9.3% in 2019 and 3.0% in 2020, the volume of transactions in relation to the CKDs Transactions and the CBU Transactions have also declined accordingly. Despite the strong rebound of passenger vehicle demand in the PRC market in the first half of 2021, the utilisation rates of the annual caps were still relatively low as (i) most of the Group’s new model launches in 2021 would cluster towards the second half of the year; and (ii) the lack of new models and phase out of some older models which slowed down the sales growth of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Geely-branded vehicles during the same period. The Directors expect that the sales performance of the Group will catch up faster in the second half of 2021 due to the launch of new models and seasonality factor.

### *The Service Caps*

The table below sets out the proposed Service Caps for the CKDs Transactions and the CBUs Transactions for each of the three years ending 31 December 2024:

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
The CKDs Transactions	92,051.6	104,297.6	120,281.0
The CBUs Transactions	95,467.2	108,327.2	124,704.7

As set out in the Letter from the Board, the proposed Service Caps were determined by the Directors with reference to (i) the projected unit sales of the Group for the three years ending 31 December 2024 which were determined with reference to the annual sales volume target of the Group for the three years ending 31 December 2024; (ii) the projected average selling price of CBUs to end customers for the three years ending 31 December 2024; and (iii) the applicable PRC tax rates, the new energy vehicle subsidies and the projected distribution costs and other necessary expenses for the three years ending 31 December 2024. The Group has revised downward the annual caps of the Services Agreement for each of the three years ending 31 December 2024 as compared with the annual caps of the 2018 Services Agreement after taking into consideration the low utilisation rates of the annual caps under the 2018 Services Agreement.

The increase in the proposed Service Caps for each of the CKDs Transactions and the CBUs Transactions for the years ending 31 December 2023 and 2024 are mainly attributable to the expected increase in production and sale of the new Geely-branded vehicle models that will be introduced to the market in 2023 and 2024.

In assessing the fairness and reasonableness of the Service Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We have obtained and reviewed the sales projection in respect of the CKDs Transactions and the CBUs Transactions for the three years ending 31 December 2024 prepared by the Group. We have also reviewed (i) the historical sale performance of the Group for FY2019, FY2020 and 8M2021; (ii) the overall sales plan of the Group from 2021 to 2024; (iii) the list of new vehicle models that are expected to be launched by the Group during the remaining period of 2021 and up to 2024; (iv) the estimated selling price to end customers for each of the vehicle models of the Group for the three years ending 31 December 2024; and (v) the applicable PRC tax rates, the new energy vehicle subsidies and the projected distribution costs and other necessary expenses for the three years ending 31 December 2024.

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From our review of the aforesaid documents and discussion with the management of the Group, we have taken into consideration the following in assessing the fairness and reasonableness of the Service Caps:

- the recent business performance of the Group in particular the increase in total sales volume of vehicles for the six months ended 30 June 2021 by approximately 19% as compared to that in 2020, and the growth target of 16% for 2021 full year sales volume from previous year;
- the selling price per vehicle to end customers, projected distribution costs and other necessary and reasonable expenses (such as staff salary and other office expenses) are generally estimated to remain relatively steady for 2022 to 2024;
- the projected distribution costs incurred by the Group in calculating the annual caps under the CKDs Transactions and the CBUs Transactions for each of the three years ending 31 December 2024 are estimated at approximately 5.49% of the selling price of the relevant vehicle to end customers, which is in line with the historical percentage of distribution and selling expenses relative to the total sales of the Group for the year ended 31 December 2020; and
- the adoption of an estimated consumption tax rate for the transactions relating to the CKDs Transactions (subject to the engine size of the relevant vehicle models and the subsidy scheme for electric and new energy vehicles) was based on the existing consumption tax rates applicable for the sale of different vehicles in the PRC.

### *Our view*

Based on the above, we concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders as a whole to set the Service Caps at the proposed levels. However, as the proposed Service Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2024, we express no opinion as to how closely the CKDs Transactions and the CBUs Transactions shall correspond to the Service Caps.

### **3. The Automobile Components Procurement Agreement**

#### ***3.1. Principal terms of the Automobile Components Procurement Agreement***

Pursuant to each of the 2018 Services Agreement and the 2018 Automobile Components Procurement Agreement, the Group conditionally agreed to procure automobile parts and components from the Geely Holding Group. Taking into consideration (i) the upcoming expiry of the 2018 Services Agreement and the 2018 Automobile Components Procurement Agreement and (ii) the similar nature of the procurement transactions of the 2018 Services Agreement and the 2018 Automobile Components Procurement Agreement, on 15 October 2021 (after trading hours), the Company and Geely Holding entered into the Automobile Components Procurement Agreement to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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streamline the continuing connected transactions in relation to the procurement of automobile components by the Group from the Geely Holding Group. For the avoidance of doubt, the automobile components that will be procured by the Group from the Geely Holding Group pursuant to the Automobile Components Procurement Agreement are different from the CKDs and automobile components procured by the Group from the Geely Holding Group pursuant to the Existing Master CKDs and Automobile Components Purchase Agreement. Under the Automobile Components Procurement Agreement, the automobile components to be procured by the Group are those that are either (i) procured by the Geely Holding Group from other suppliers for onward selling to the Group based on the original purchase costs plus the actual costs incurred by the Geely Holding Group in the procurement process of such automobile components; or (ii) manufactured by the Geely Holding Group which will be sold to the Group based on the prevailing market price of similar products. Under the Existing Master CKDs and Automobile Components Purchase Agreement, the CKDs and automobile components to be purchased by the Group are those that are tailor made for the Group and to be sold at prices calculated on a cost-plus basis. Principal terms of the Automobile Components Procurement Agreement are set out below:

*Date*

15 October 2021 (after trading hours)

*Parties*

Vendor: Geely Holding

Purchaser: The Company

*Subject matter*

Pursuant to the Automobile Components Procurement Agreement, the Group conditionally agreed to procure, and the Geely Holding Group conditionally agreed to supply, automobile components (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.).

The Procurement Transactions 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 Group than those offered by the Geely Holding Group to other independent third parties or those offered to the Group by other independent third parties.

*Pricing basis*

The selling price of the automobile components will be determined on an arm's length basis and on normal commercial terms. For automobile parts and components that are procured by the Geely Holding Group from other suppliers for onward selling to the Group, the selling price will be based on the original purchase cost plus the actual costs incurred by the Geely Holding Group in the procurement process of such automobile parts and components. For automobile parts and components that are manufactured by the Geely Holding Group, the

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selling price will be based on the prevailing market price of similar products. The selling price of the automobile components will be on terms no less favourable than those offered by the Geely Holding Group to other independent third parties and/or those offered to the Group by other independent third parties.

The actual costs incurred by the Geely Holding Group in the procurement process of automobile parts and components include labor costs (such as wages and social insurance), travel expenses, office expenses and other management expenses.

### *Term*

From 1 January 2022 to 31 December 2024

### *Condition precedent*

The Automobile Components Procurement Agreement is conditional upon approval by the Independent Shareholders at the EGM.

### *Termination*

In addition to the non-fulfillment of the condition precedent above, the Automobile Components Procurement Agreement may be terminated if:

- (i) a three-month prior written notice to terminate the Automobile Components Procurement Agreement is served by either party;
- (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 a result of material violation of the laws or regulations, declares bankruptcy, is unable to perform its obligations under the Automobile Components Procurement Agreement due to force majeure; or
- (iii) Geely Holding and its associates cease to be connected persons of the Company.

### *Internal control measures*

For the automobile parts and components to be procured by the Group which are manufactured by the Geely Holding Group which will be sold to the Group based on the prevailing market price of similar products, the Group will compare the prices offered by the Geely Holding Group to the prices offered by various independent third party suppliers and/or the prices offered by the Geely Holding Group to independent third parties for similar products by obtaining respective quotations or information on actual prices to ensure the fairness of the selling price of the automobile components offered by the Geely Holding Group. For the automobile parts and components to be procured by the Group which are procured by the Geely Holding Group from other suppliers for onward selling to the Group based on the original purchase costs plus the actual costs incurred by the Geely Holding Group, the Group

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and the Geely Holding Group will negotiate on a yearly basis (or more frequently if it is determined necessary) 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. Moreover, the transactions contemplated under the Automobile Components Procurement Agreement will be supervised and monitored by the Group to ensure the Automobile Components Procurement Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

We have obtained and reviewed the internal control reports for each of the year ended 31 December 2019 and 2020 prepared by the finance department of the Group and note that the Group reviews (i) the utilisation of the respective annual caps; and (ii) the implementation of the pricing policies for its continuing connected transactions (including the Procurement Transactions).

### ***3.2. Reasons for and benefits of entering into the Automobile Components Procurement Agreement***

As set out in the Letter from the Board, the automobile components to be sold to the Group by the Geely Holding Group pursuant to the Automobile Components Procurement Agreement (including batteries, motors, electronic control system products, headlights, car seats, components for charging stations, etc.) will be either manufactured by the Geely Holding Group or those that are procured by the Geely Holding Group from other suppliers for onward selling to the Group. The Directors are of the view that the procurement services to be provided by the Geely Holding Group will enable the Group to secure a stable source of raw materials leveraging on the long-term relationships established between the Geely Holding Group and the suppliers of those automobile parts and components. Moreover, the automobile components to be supplied by the Geely Holding Group will be on terms no less favourable than those offered by the Geely Holding Group to other independent third parties and/or those offered to the Group by other independent third parties, and the Automobile Components Procurement Agreement will enable the Group to secure stable and reliable supply of automobile components in an efficient and responsive manner, given the long-standing cooperation and relationship between the Group and the Geely Holding Group.

Having considered that the Procurement Transactions will enable the Group to continue to secure a stable source of raw materials and ensure smooth operation of the Group, we are of the view that the entering into of the Automobile Components Procurement Agreement is conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.3. Fairness and reasonableness of the Procurement Caps

#### *Historical transaction amounts and annual caps under the 2018 Services Agreement and the 2018 Automobile Components Procurement Agreement*

The table below sets out (i) the historical transaction amounts for FY2019, FY2020 and 8M2021; and (ii) the annual caps for the Procurement Transactions under each of the 2018 Services Agreement and the 2018 Automobile Components Procurement Agreement for FY2019, FY2020 and FY2021:

	Historical transaction amounts for			Announced annual caps for		
	FY2019	FY2020	8M2021	FY2019	FY2020	FY2021
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(Audited)	(Audited)	(Unaudited)			
Procurement Transactions under the 2018 Services Agreement	2,219.0	295.0	518.0	38,094.0	50,052.7	59,076.3
Utilisation rate of annual caps under the 2018 Services Agreement				5.8%	0.6%	0.9% (Note)
Procurement Transactions under the 2018 Automobile Components Procurement Agreement	2,402.0	1,973.0	2,562.1	13,746.8	25,845.4	33,591.6
Utilisation rate of annual caps under the 2018 Automobile Components Procurement Agreement				17.5%	7.6%	7.6% (Note)

*Note:* Utilisation rate of the annual caps for FY2021 was calculated by dividing the historical transaction amount for 8M2021 by the announced annual cap for the full financial year ending 31 December 2021.

As set out in the Letter from the Board, the relatively low utilisation rates of annual caps for the Procurement Transactions under the 2018 Services Agreement and the 2018 Automobile Components Procurement Agreement for FY2019, FY2020 and 8M2021 were mainly the result of the relatively low demand for the sale of CKDs by the Group to the Geely Holding Group and the purchase of CBUs by the Group from the Geely Holding Group during the same periods, which led to a relatively low utilisation rate of the annual caps for the CKDs Transactions and the CBUs Transactions as discussed in the paragraph headed “2.3. Fairness and reasonableness of the Service Caps – Historical transaction amounts and annual caps under the 2018 Services Agreement”. Moreover, the purchase of certain automobile parts and components from independent third party suppliers also contributed to the relatively low utilisation rates of annual caps for the Procurement Transactions under the 2018 Services Agreement. In light of the relatively low utilisation rate of the annual caps under the 2018

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Services Agreement and the 2018 Automobile Components Procurement Agreement, the Group proposes to revise downward the annual caps for the transactions under the Automobile Components Procurement Agreement as further detailed below.

### *The Procurement Caps*

The table below sets out the proposed Procurement Caps pursuant to the Automobile Components Procurement Agreement for the three years ending 31 December 2024:

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
The Procurement Transactions	6,779.3	7,930.1	9,220.2

As set out in the Letter from the Board, the proposed Procurement Caps were determined by the Directors with reference to (i) the projected units of each type of automobile components to be procured by the Group from the Geely Holding Group, which in turn were determined with reference to the projected unit sales of the Group's vehicles for the three years ending 31 December 2024; and (ii) the projected unit selling price for each type of automobile components for the three years ending 31 December 2024.

The increase in the proposed Procurement Caps for the years ending 31 December 2023 and 2024 are primarily due to the increase in purchases of automobile components in light of the expected increase in sales volume of Geely-branded and ZEEKR-branded vehicles driven by the introduction of new electric vehicle models in 2023 and 2024.

In our assessment of the fairness and reasonableness of the Procurement Caps, we have reviewed the purchase projection in respect of the Procurement Transactions for the three years ending 31 December 2024 prepared by the Group. We have also reviewed (i) the projected unit sales of the Group's vehicles based on its sales budget for the three years ending 31 December 2024; and (ii) the projected selling price per unit of each type of the automobile components for the three years ending 31 December 2024.

From our review of the aforesaid documents and discussion with the management of the Group, we have taken into consideration the following in assessing the fairness and reasonableness of the Procurement Caps:

- the recent business performance of the Group in particular the increase in total sales volume of vehicles for the six months ended 30 June 2021 by approximately 19% as compared to that in 2020, and growth target of 16% for 2021 full year sales volume from previous year;

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- the product portfolio is expected to expand to include additional new vehicle models (including ZEEKR-branded vehicles) during the term of the Automobile Components Procurement Agreement;
- the purchase price of each of the automobile components adopted in the purchase projection is mainly based on (i) the projected procurement costs incurred by the Geely Holding Group of such automobile components (for automobile parts and components that are procured by the Geely Holding Group from other suppliers for onward selling to the Group) with reference to the historical purchase cost of the automobile components; or (ii) the prevailing market price of similar products (for automobile parts and components that are manufactured by the Geely Holding Group), and is generally estimated to remain relatively steady for 2022 to 2024; and
- the expected quantity required for each of the automobile components to be used in each of the vehicles to be sold by the Group in 2022 to 2024 was determined based on the projected requirement for such automobile components for each of the vehicle models based on the vehicle specifications, taking into account the expected number of unit of each of the automobile components required to support the projected sales volume of the respective vehicle model.

### *Our view*

Based on the above, we concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders as a whole to set the Procurement Caps at the proposed levels. However, as the proposed Procurement Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2024, we express no opinion as to how closely the Procurement Transactions shall correspond to the Procurement Caps.

#### **4. The Volvo Financing Arrangements**

Pursuant to the Volvo Finance Cooperation Agreements, Genius AFC agreed to provide vehicle financing services to the Volvo Dealers and Volvo Retail Customers in the PRC until 31 December 2021. 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, subject to the approvals from the regulators of the Company and the Independent Shareholders.

##### ***4.1. Principal terms of the Volvo Finance Cooperation Agreements***

### *Date*

11 December 2015

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### *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)

### *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

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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.

### **4.2. *Principal terms regarding the mode of cooperation under the Volvo Financing Arrangements***

#### *Cooperation*

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

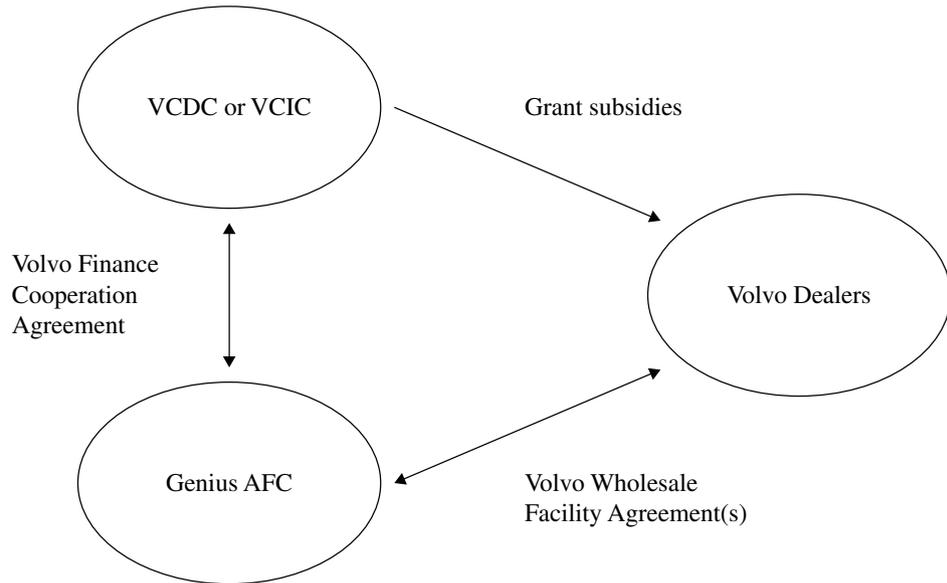
The modes of cooperation between (a) Genius AFC; and (b) VCDC and VCIC for the Volvo Wholesale Financing Business and Volvo Retail Financing Business are summarised as below:

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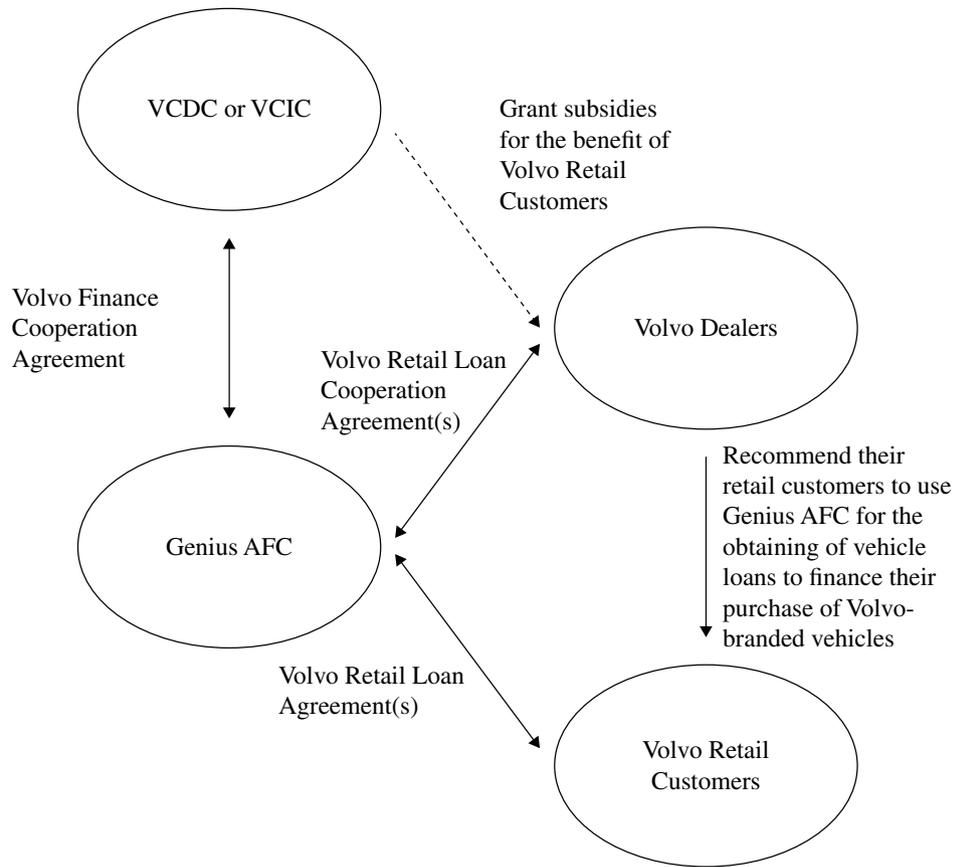
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(1) Volvo Wholesale Financing Business



(2) Volvo Retail Financing Business



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Pricing policy*

Genius AFC would enter into the Volvo Wholesale Facility Agreements with the Volvo Dealers for the provision of the Volvo Wholesale Financing Business and the Volvo Retail Loan Agreements with the Volvo Retail Customers for the provision of the Volvo Retail Financing Business. Genius AFC's sales and marketing department will communicate with the Volvo Dealers on an ongoing basis (including obtaining feedbacks from Volvo Dealers on the range of lending rates and other major terms offered by other vehicle financing companies) to 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, 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 Business to the Volvo Dealers and the Volvo Retail Financing Business to the Volvo Retail Customers. The interest rates, at the time of each setting, for the loans provided by Genius AFC 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. Genius AFC shall have the sole discretion in determining the final pricing of the services to be applied to the Volvo Dealers and the Volvo Retail Customers. Please refer to the paragraph headed "*Continuing Connected Transactions – (C) Volvo Financing Arrangements – Relevant Internal Control Measures – Internal control within Genius AFC*" in the Letter from the Board for the internal control procedures for determining the pricing of the services provided by Genius AFC. 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 paragraph headed "*Lending risk*" below, as well as the lending rates offered by the competitors.

As confirmed by the management of Genius AFC, the lending interest rate of the Volvo Financing Arrangements was determined principally after taking into account (i) the PBOC base lending rate for similar type of loan under similar terms and conditions, (ii) the cost of funds, (iii) the lending rates offered by the competitors in the PRC automobile financing industry, and (iv) the borrower's credit profile as assessed by Genius AFC in accordance with the credit risk assessment procedures as set out in the paragraph headed "*Lending risk*" below. In light of the aforesaid and the fact that Genius AFC will not be the exclusive provider of financing services to the Volvo Dealers or the Volvo Retail Customers, we consider the pricing policy adopted by Genius AFC in determining the lending interest rates under the Volvo Financing Arrangements fair and reasonable.

### *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 (the

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“Auto Loan Management Measures”) 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 Business, the risk control department of Genius AFC will review the credit applications with supporting materials submitted by the Volvo 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 Volvo 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 Volvo Dealer which has sufficient experience in the auto trading business and is familiar with the Volvo brand is more likely to achieve better operating results), capital structure (such as the capitalisation of the Volvo Dealers, and whether the Volvo 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 Volvo Dealers. The Volvo 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 Volvo Dealers.

In relation to the credit risk assessment procedures for the Volvo 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

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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.

The management of Genius AFC confirmed that (i) the abovementioned credit risk assessment procedures for the Volvo Wholesale Financing Business and the Volvo Retail Financing Business were devised and established pursuant to the Auto Loan Management Measures; and (ii) since the incorporation of Genius AFC in August 2015 and up to the Latest Practicable Date, Genius AFC has been in compliance with the Auto Loan Management Measures and the relevant laws and regulations of the PRC in relation to risk management of auto finance companies.

As confirmed by the management of Genius AFC, since the commencement of the Volvo Financing Arrangements and up to 31 August 2021, (i) in respect of Volvo Wholesale Financing, there had been no default in payment from the Volvo Dealers; (ii) in respect of Volvo Retail Financing, out of the over 90,000 transactions, only less than 200 transactions were terminated due to the Volvo Retail Customer’s default in payment. As at 31 August 2021, the non-performing loan (being the loan past due for more than 60 days) rate under the Volvo Wholesale Financing Business and the Volvo Retail Financing Business was nil and approximately 0.017%, respectively.

According to the 2020 China Automobile Financing Companies Industry Development Report 《2020年度中國汽車金融公司行業發展報告》 published by China Banking Association Professional Committee of Automobile Financing (中國銀行業協會汽車金融專業委員會), the average non-performing loan rate of the auto finance industry in the PRC was approximately 0.49% as at 31 December 2020. As advised by the management of Genius AFC, the overall non-performing loan (being the loan past due for more than 60 days) rate of Genius AFC, excluding those under the Volvo Financing Arrangements, was approximately 0.169% as at 31 August 2021.

Based on the fact that (i) no Volvo Dealers had defaulted on their loans under the Volvo Wholesale Financing Business since the commencement of the Volvo Financing Arrangements; (ii) no loans under the Volvo Wholesale Financing Business is non-performing since the commencement of the Volvo Financing Arrangements; and (iii) the non-performing loan rate of 0.017% as at 31 August 2021 under the Volvo Retail Financing Business is lower than that of the average non-performing loan rate of the auto finance industry in the PRC of approximately 0.49% as at 31 December 2020 and lower than the overall non-performing loan rate of Genius AFC, excluding those under the Volvo Financing Arrangements, of approximately 0.169% as at 31 August 2021, we are of the opinion that the entering into of the Volvo Financing Arrangements does not expose Genius AFC and the Group to higher credit risk given the Volvo Financing Arrangements were entered into on normal commercial

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terms and the historical default rate of the Volvo Financing Arrangements is lower than the historical average non-performing loan rates of both the auto finance industry in the PRC and Genius AFC, excluding those under the Volvo Financing Arrangements.

### *Loan term*

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.

We have reviewed that the Auto Loan Management Measures which stipulated that the term of automobile loans may not be longer than five years while the term of loans to wholesale dealers may not be longer than one year. In view of the fact that the loan term set out in the Volvo Finance Cooperation Agreements comply with the Auto Loan Management Measures, we consider such term to be fair and reasonable.

### *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 Business; 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 under the Volvo Retail Financing Business, 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.

### *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.

#### **4.3. Volvo Wholesale Facility Agreements**

During the term of the Volvo Finance Cooperation Agreements, Genius AFC will enter into the Volvo Wholesale Facility Agreements with the Volvo Dealers, pursuant to which Genius AFC will provide wholesale 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 expected to be consistent with the terms of the Volvo Finance Cooperation Agreements as disclosed above.

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### ***4.4. Volvo Retail Loan Agreements***

During the term of the Volvo Finance Cooperation Agreements, Genius AFC will 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 Business, during the term of the Volvo Finance Cooperation Agreements, 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.

### ***4.5. Reasons for and benefits of the Volvo Financing Arrangements***

As set out in the Letter from the Board, in line with the practice of major global automobile companies, most PRC automobile companies have established auto financing subsidiaries or associated companies to provide auto financing services to their customers. As a result, Genius AFC was set up to provide financing services for automobile dealers and retail customers for the purchase of vehicles and to better support the development of the automobile industry. Since its establishment, Genius AFC focuses on providing auto financing services and continues to explore new business through product innovation and refined services in order to further improve the financing penetration and coverage.

In recent years, Genius AFC has successfully captured the rapid development of the auto financing industry in the PRC and its scale of assets and profitability have expanded exponentially. Its outstanding loan assets increased from approximately RMB19.4 billion at the end of year 2018 to approximately RMB46.3 billion at the end of year 2020. Its net profit increased from approximately RMB217 million in 2018 to approximately RMB732 million in 2020, representing a compound annual growth rate of about 83.8%. Since Genius AFC is owned as to 80% by the Company, the Company can enjoy the majority of its profit share, which provides significant contribution to the net profit of the Group. In 2020, Genius AFC contributed a share of profit of approximately RMB585 million to the Group, accounting for around 10.5% net profit of the Group and becoming a performance driver of the Group.

Genius AFC had successfully diversified its external funds channels including bilateral bank facilities, syndicated loans, interbank transaction and cross-border financing as the main financing channels. By the end of December 2020, Genius AFC had successfully launched nine asset-backed securities, with a cumulative amount of RMB33.5 billion. With the steady growth of its capital bases, Genius AFC strives to continuously develop its business and grow its wholesale and retail financing services by expanding its customer base and service scope under the condition of giving priority to the auto financing services for the purchase of vehicles of the Group. At the same time, Genius AFC continues to maximise its profitability through cooperation with other vehicle manufacturers.

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For the year 2020, Volvo-branded vehicles has achieved year-on-year growth of 7.6% in the PRC market despite the negative impact from the COVID-19. The increase in demand for Volvo-branded vehicles had led to an increase in corresponding demand for auto financing services. In view of the large number of participants in the PRC auto financing market, including the auto financing companies and commercial banks, the Volvo Group does not rely solely on Genius AFC to provide auto financing services and Genius AFC does not act as the exclusive provider of financing services for the Volvo-branded vehicles to be sold in the PRC. On the contrary, by capturing the increase in demand for auto financing services of Volvo-branded vehicles in the PRC, Genius AFC could further expand its retail and wholesale auto financing business and enlarge its market share and profitability. The increase in profitability of Genius AFC had in turn contributed to the increased profits shared by the Group. Besides, the Volvo brand has long been shaping as a high-end brand image throughout the world. Through cooperation with the Volvo Group, Genius AFC would be able to improve its brand image and market reputation and benefit from the rapidly developing auto financing business in the PRC.

Furthermore, as disclosed in the annual report of the Company for the year ended 31 December 2020, there are significant differences between the Geely-branded vehicles and Volvo-branded vehicles in terms of product positioning, selling price and the target customer groups. As a result, the provision of auto financing service from Genius AFC to the Volvo Group will not affect the competitiveness of the Geely-branded vehicles. Similar with the auto financing services provided to Geely-branded and LYNK & CO-branded vehicles, the auto financing services provided by Genius AFC for the Volvo-branded vehicles include wholesale financing service and retail financing service. Genius AFC would ensure that the terms of the auto financing services provided in relation to the purchase of Volvo-branded vehicles would not be better than the terms provided to those purchasing Geely-branded and LYNK & CO-branded vehicles. 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 of fund shortage, priority will be given to loan applications for the purchase of vehicles of the Group. Therefore, the Directors consider that the provision of the Volvo Wholesale Financing Business and the Volvo Retail Financing Business by Genius AFC would not result in a deprivation of funds available for loan applications in relation to the purchase of vehicles of the Group.

Having considered that (i) the Volvo Financing Arrangements are within the scope of the principal business of Genius AFC and the Group will share 80% of the economic returns of Genius AFC, the Group should support its organic business growth; (ii) Genius AFC does not act as the exclusive provider of financing services for the Volvo-branded vehicles and the terms to be entered into under the Volvo Financing Arrangements will be on normal commercial terms; and (iii) the credit profile of the loans under the Volvo Financing Arrangements did not expose Genius AFC to higher credit risks (as elaborated in the paragraph headed "*Lending risk*" above), we are of the view that the Volvo Financing Arrangements are conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

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### 4.6. Fairness and reasonableness of the Volvo Annual Caps

#### *Historical transaction amounts and annual caps for the Volvo Wholesale Financing Business and the Volvo Retail Financing Business*

The table below sets out (i) the historical transaction amounts for FY2019, FY2020 and 8M2021; and (ii) the annual caps for the Volvo Wholesale Financing Business and the Volvo Retail Financing Business for FY2019, FY2020 and FY2021 and their respective utilisation rates.

	Historical transaction amounts for			Announced annual caps for		
	FY2019	FY2020	8M2021	FY2019	FY2020	FY2021
	<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 Dealers under the Volvo Wholesale Financing Business	1,275.0	3,112.0	2,360.0	11,138.0	13,622.0	15,107.0
Utilisation rate of annual caps under the Volvo Wholesale Financing Business				11.4%	22.8%	15.6% (Note)
New financing amounts provided by Genius AFC to the Volvo Retail Customers under the Volvo Retail Financing Business	2,658.0	4,092.0	3,921.5	7,722.0	9,444.0	12,045.0
Utilisation rate of annual caps under the Volvo Retail Financing Business				34.4%	43.3%	32.6% (Note)

*Note:* Utilisation rate of the annual caps for FY2021 was calculated by dividing the historical transaction amount for 8M2021 by the announced annual cap for the full financial year ending 31 December 2021.

As set out in the Letter from the Board, the low utilisation rates of the annual caps under the Volvo Wholesale Financing Business for FY2019, FY2020 and 8M2021 were primarily due to (i) the lower-than-expected wholesale finance coverage of the Volvo Wholesale Financing Business, which was 2.1%, 4.7% and 4.8% for FY2019, FY2020 and 8M2021 respectively, primarily due to (a) the delay in the commencement of the vehicle financing business, which only started in March 2019, and particularly affected the wholesale finance coverage in that year; and (b) intense competition from other financial institutions for automobile wholesale financing services; and (ii) the negative impact on sales of Volvo-branded vehicles caused by COVID-19 especially in the early part of 2020. In this regard, Genius AFC has revised downward the estimated wholesale finance coverage of the Volvo Wholesale Financing Business when determining the Volvo Annual Caps (Wholesale) for the three years ending 31 December 2024.

The relatively low utilisation rates of the annual caps under the Volvo Retail Financing Business for FY2019, FY2020 and 8M2021 were primarily due to (i) the lower-than-expected retail financing penetration of 10.6% of the Volvo Retail Financing Business in FY2019,

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primarily due to the delay in the commencement of the vehicle financing business, which only started in March 2019, and particularly affected the retail financing penetration in that year; (ii) intense competition from other financial institutions for auto retail financing services; and (iii) the negative impact on sales of Volvo-branded vehicles caused by the COVID-19 especially in the early part of 2020. Notwithstanding the foregoing, with the accumulation of experience, business network and retail customers base, Genius AFC achieved considerable growth in retail financing penetration from 10.6% in FY2019 to 18.5% in FY2020 and further to 24.5% for 8M2021. It is expected that the retail financing penetration of the Volvo Retail Financing Business will further improve alongside the enhanced competitiveness of Genius AFC and its products in the PRC auto financing industry and gradual recovery from the COVID-19.

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Volvo Annual Caps (Wholesale)	5,561.6	6,037.9	6,883.4
Volvo Annual Caps (Retail)	7,785.2	8,819.4	10,473.0

As stated in the Letter from the Board, when determining the proposed Volvo Annual Caps (Wholesale), Genius AFC has taken into account (i) the projected sales volume of Volvo-branded vehicles for the three years ending 31 December 2024 which are determined after taking into account the historical sales volume in FY2020 and 8M2021 and the expected market recovery from that of COVID-19; (ii) the expected average wholesale loan amount for each vehicle financing transaction which was determined with reference to the historical average wholesale loan amount for each vehicle financing transaction during 8M2021; and (iii) the estimated wholesale finance coverage of the Volvo Wholesale Financing Business of 6.0% for each of the three years ending 31 December 2024 respectively. 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 Business, Genius AFC has taken into account (i) the historical wholesale finance coverage ranged from 2% to 9% from 2016 to 2020; and (ii) the current status and expected development of its business and subsidiaries provided by VCDC and VCIC to encourage the Volvo Dealers to choose Genius AFC for the provision of vehicle financing services.

When determining the proposed Volvo Annual Caps (Retail), Genius AFC has taken into account (i) the projected sales volume of Volvo-branded vehicles for the three years ending 31 December 2024 which are determined after taking into account the historical sales volume in FY2020 and 8M2021 and the expected market recovery from that of COVID-19; (ii) the expected average retail loan amount for each vehicle financing transaction which was determined with reference to the historical average retail loan amount for each vehicle financing transaction during FY2018, FY2019, FY2020 and 8M2021; and (iii) the estimated retail financing penetration of the Volvo Retail Financing Business of 23%, 24% and 25% for the three years ending 31 December 2024 respectively. The above retail financing penetration represents the estimated percentage of the Volvo Retail Customers' purchases which will be

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financed by loans provided by Genius AFC. When determining the said retail financing penetration of the Volvo Retail Financing Business, Genius AFC has taken into account (i) the historical retail financing penetration of 24.5% for 8M2021; and (ii) the current status and expected development of its business. The annual increment of 1% in the estimated retail financing penetration of the Volvo Retail Financing Business for 2023 and 2024 was determined after taking into account (i) the continuous growth in historical retail financing penetration from 10.6% in FY2019 to 18.5% in FY2020 and further to 24.5% for 8M2021; (ii) the expected introduction of electric vehicles by the Volvo Group which may have a higher demand for retail financing due to the higher retail selling price of such vehicles; and (iii) the provision of subsidies by VCDC and VCIC which would be converted into purchase price discount of the Volvo-branded vehicles would encourage Volvo Retail Customers to choose Genius AFC for the provision of vehicles financing services.

In assessing the fairness and reasonableness of the proposed Volvo Annual Caps, we have obtained and reviewed the respective projections of the financing amounts in relation to the Volvo Wholesale Financing Business and the Volvo Retail Financing Business for the three years ending 31 December 2024 prepared by Genius AFC and also discussed with the management of Genius AFC about the underlying bases and assumptions relating thereto.

From our review of the aforesaid documents and discussion with the management of Genius AFC, we have taken into consideration the following in assessing the fairness and reasonableness of the Volvo Annual Caps:

- the estimated wholesale finance coverage of the Volvo Wholesale Financing Business of 6.0% for each of the three years ending 31 December 2024 respectively is reasonable taking into account (i) the historical wholesale finance coverage ranged from 2% to 9% from 2016 to 2020 and 8M2021; and (ii) the current status and expected development of its business and subsidies provided by VCDC and VCIC to encourage the Volvo Dealers to choose Genius AFC for the provision of vehicle financing services;
- the estimated retail financing penetration of the Volvo Retail Financing Business of 23%, 24% and 25% for the three years ending 31 December 2024 respectively is reasonable taking into account (i) the historical retail financing penetration of 24.5% for 8M2021; (ii) the current status and expected development of its business; (iii) the continuous growth in historical retail financing penetration from 10.6% in FY2019 to 18.5% in FY2020 and further to 24.5% for 8M2021; (iv) the expected introduction of electric vehicles by the Volvo Group which may have a higher demand for retail financing due to the higher retail selling price of such vehicles; and (v) the provision of subsidies by VCDC and VCIC which would be converted into purchase price discount of the Volvo-branded vehicles would encourage Volvo Retail Customers to choose Genius AFC for the provision of vehicles financing services;
- the projected average wholesale loan amount and retail loan amount are generally estimated to remain steady for the three years ending 31 December 2024; and

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- the projected sales volume of Volvo-branded vehicles for the three years ending 31 December 2024 which are determined after taking into account the historical sales volume in FY2020 and 8M2021 and the expected market recovery from that of COVID-19.

### *Our view*

Based on the above, we concur with the Directors' view that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to set the Volvo Annual Caps at the proposed levels. However, as the proposed Volvo Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2024, we express no opinion as to how closely the Volvo Wholesale Financing Business and the Volvo Retail Financing Business shall correspond to the Volvo Annual Caps.

## **5. Revision of annual caps for the transactions under the Existing Master CKDs and Automobile Components Purchase Agreement**

### ***5.1. Principal terms of the Supplemental Master CKDs and the Automobile Components Purchase Agreement***

In view of the higher-than-expected market demand for the new models under the ZEEKR and Geely brands since their introduction in 2021, it is expected that the annual caps for the transactions under the Existing Master CKDs and Automobile Components Purchase Agreement will not be sufficient. As such, on 15 October 2021 (after trading hours), the Company entered into the Supplemental Master CKDs and Automobile Components Purchase Agreement with Geely Holding to increase the annual caps for the CKDs and Automobile Components Purchase Transactions. Principal terms of the Supplemental Master CKDs and the Automobile Components Purchase Agreement are set out below:

#### *Date*

15 October 2021 (after trading hours)

#### *Parties*

Vendor: Geely Holding

Purchaser: The Company

#### *Subject matter*

Pursuant to the Supplemental Master CKDs and Automobile Components Purchase Agreement, it was conditionally agreed that the Group will purchase CKDs and automobile components from the Geely Holding Group.

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The CKDs and Automobile Components Purchase Transactions 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 Group than terms available to or from (as applicable) other independent third parties to the Group.

### *Term*

The Supplemental Master CKDs and Automobile Components Purchase Agreement has a term from its effective date to 31 December 2023.

### *Termination*

Either party may terminate the Supplemental Master CKDs and Automobile Components Purchase Agreement (i) by giving the other party 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 Supplemental Master CKDs and Automobile Components Purchase Agreement due to force majeure; or (b) Geely Holding and its associates cease to be connected persons of the Company.

### *Pricing basis*

Pursuant to the Existing Master CKDs and Automobile Components Purchase Agreement and the Supplemental Master CKDs and Automobile Components Purchase Agreement, the CKDs and automobile components 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 by an independent certified public accountant (the "**Purchase Pricing Analysis Report**"), the margin rate of CKDs and other automobile components 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 Supplemental Master CKDs and Automobile Components Purchase Agreement. Having considered the pricing basis with reference to the Purchase Pricing Analysis Report and the fact that the pricing basis remains

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unchanged as compared to the Existing Master CKDs and Automobile Components Purchase Agreement, the Directors consider the pricing basis under the Supplemental Master CKDs and Automobile Components Purchase Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### *Internal control measures*

The internal control measures in relation to pricing remain unchanged under the Supplemental Master CKDs and Automobile Components Purchase Agreement. The Group will monitor the relevant costs and expenses to ensure the fairness of the purchase price of such CKDs and automobile components according to the aforesaid pricing basis for the Supplemental Master CKDs and Automobile Components Purchase Agreement. In particular, the finance department of the Group will be responsible for supervising and reviewing the reasonableness of costs arising from the purchase of CKDs and automobile components from the Geely Holding Group by the Group. The finance department of the Group will obtain the actual costs from the Geely Holding Group, and review whether the calculation and allocation of the costs are reasonable. 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 a 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.

In relation to the aforesaid internal control measures for the Continuing Connected Transactions, the internal audit department of the Group will conduct assessment on the internal control measures for all Continuing Connected Transactions to ensure such internal control measures have been adhered to and are effective. The independent non-executive Directors will also conduct review on 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. The Company also engages its independent auditor to report on Continuing Connected Transactions every year. The independent auditor reviews and confirms whether Continuing Connected Transactions have been approved by the Board; have been conducted in accordance with the pricing policies of the relevant agreement governing the Continuing Connected Transactions; and have not exceeded the relevant annual caps.

### ***5.2. Supplemental Master CKDs and Automobile Components Purchase Agreement versus Existing Master CKDs and Automobile Components Purchase Agreement***

Save for the update of the subject matter, the update of the condition precedent and the increase in the annual caps for the three years ending 31 December 2023 as detailed below and in the paragraph headed “5.4. Fairness and reasonableness of the Proposed Revised Annual Caps”, the major terms of the Existing Master CKDs and Automobile Components Purchase Agreement remain unchanged.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Update of the subject matter*

Pursuant to the Existing Master CKDs and Automobile Components Purchase Agreement, it was conditionally agreed that the Group will purchase Geely-branded CKDs and automobile components from the Geely Holding Group.

Pursuant to the Supplemental Master CKDs and Automobile Components Purchase Agreement, it was conditionally agreed that the Group will purchase CKDs and automobile components from the Geely Holding Group.

### *Update of condition precedent*

The Supplemental Master CKDs and Automobile Components Purchase Agreement is conditional upon approval of the Independent Shareholders at the EGM.

### **5.3. *Reasons for and benefits of entering into the Supplemental Master CKDs and Automobile Components Purchase Agreement***

As set out in the Letter from the Board, pursuant to the Existing Master CKDs and Automobile Components Purchase Agreement, the Group will procure CKDs and automobile components for the use in the Geely-branded vehicles from the Geely Holding Group. Since ZEEKR adopts an asset-light operation model, it is also the plan of the Group to procure CKDs and automobile components for use in the ZEEKR-branded vehicles as it will incur higher production costs if the Group set up its own production facilities solely for ZEEKR-branded vehicles, which would have negative financial impact to the Group. The arrangement under the Existing Master CKDs and Automobile Components Purchase Agreement (i) allow the Group to benefit from cost efficiencies of sharing the same production facilities and saving significant cost in capital investment, (ii) enable the Group to secure stable and reliable supply of automobile components in an efficient and responsive manner, given the long-standing cooperation and relationship between the Group and the Geely Holding Group; and (iii) avoid leakage of the core technology of the ZEEKR Group to independent third parties.

If the Group does not procure CKDs and automobile components for ZEEKR-branded vehicles from the Geely Holding Group, those CKDs and automobile components would have to be produced by the Group itself. Assuming that the Group was able to achieve the same production efficiency, the main difference in financial effect between the production by the Group itself and procurement of CKDs and automobile components from Geely Holding Group is the service cost of final assembly on the CKDs charged by the Geely Holding Group. Such difference is expected to be insignificant to the Group for the three years ending 31 December 2023.

The Group received significant volume of purchase orders for new models under the ZEEKR and Geely brands since their introduction in 2021. Due to the better-than-expected market demand for the new models of the Group, it is expected that the annual caps for the transactions under the Existing Master CKDs and Automobile Components Purchase Agreement will not be sufficient. As such, the entering into of the Supplemental Master CKDs and Automobile Components Purchase Agreement will enable the Group to meet the increased demand for CKDs and automobile components and thus facilitate the sale of Geely-branded and ZEEKR-branded vehicles.

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Having considered the above and our analysis and view on the major terms of the Supplemental Master CKDs and Automobile Components Purchase Agreement, we are of the view that the entering into of the Supplemental Master CKDs and Automobile Components Purchase Agreement is conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

#### 5.4. *Fairness and reasonableness of the Proposed Revised Annual Caps*

*Historical transaction amounts and annual caps under the Existing Master CKDs and Automobile Components Purchase Agreement and the Proposed Revised Annual Caps*

The table below sets out (i) the historical transaction amount for 8M2021, (ii) the annual caps under the Existing Master CKDs and Automobile Components Purchase Agreement; and (iii) the Proposed Revised Annual Caps for the purchase of CKDs and automobile components pursuant to the Supplemental Master CKDs and Automobile Components Purchase Agreement for the three years ending 31 December 2023:

	Historical transaction amount for 8M2021 <i>RMB million</i> (Unaudited)	Proposed Revised Annual Caps/the Original Annual Caps for the purchase of CKDs and automobile components for		
		FY2021 <i>RMB million</i>	FY2022 <i>RMB million</i>	FY2023 <i>RMB million</i>
CKDs and Automobile Components Purchase Transactions	2,748.0	13,042.1	44,855.6	58,836.5
Original annual cap amounts for the three financial years ending 31 December 2023 (the “ <b>Original Annual Caps</b> ”)		11,953.9	26,346.8	23,842.7
Utilisation rate of Original Annual Caps		23.0% <i>(Note)</i>		

*Note:* Utilisation rate of the annual caps for FY2021 was calculated by dividing the historical transaction amount for 8M2021 by the Original Annual Cap for the full financial year ending 31 December 2021.

The relatively low utilisation rate of the annual cap for 8M2021 was primarily due to (i) the lower demand for CKDs as a result of the lack of new vehicle models in the first half of 2021 as one of the new models under Geely brand was only launched in the second half of 2021; and (ii) the decrease in demand of CKDs and automobile components in relation to one of the Geely-branded vehicle models in the first half of 2021 due to downward market demand.

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As set out in the Letter from the Board, the Proposed Revised Annual Caps for the purchase of CKDs and automobile components have been determined by the Directors with reference to:

- (i) the estimated number of units of CKDs and the automobile components in relation to the existing and new vehicle models under the ZEEKR and Geely brands, which were in turn determined mainly based on the projected unit sales of these vehicle models for the three years ending 31 December 2023 taking into consideration the strong market feedback during the pre-sale stage and the expected introduction of new vehicle models in 2022 and 2023 respectively;
- (ii) the estimated costs of manufacturing CKDs and automobile components in relation to the existing and new vehicle models under the ZEEKR and Geely brands (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 over such estimated manufacturing costs of CKDs and automobile components respectively with reference to the Purchase Pricing Analysis Report.

The Proposed Revised Annual Caps for the year ending 31 December 2021 is significantly higher than the historical transaction amount for 8M2021 due to the expected increase in purchase of CKDs and automobile components of the new ZEEKR-branded and Geely-branded vehicle models in light of the market orders received in the second half of 2021. The significant increase in the Proposed Revised Annual Caps for the purchase of CKDs and automobile components for the years ending 31 December 2022 and 2023 are primarily due to the increase in projected sales volume of ZEEKR-branded vehicles in light of the expected introduction of new ZEEKR-branded vehicle models in 2022 and 2023 respectively.

In assessing the fairness and reasonableness of the Proposed Revised Annual Caps, we have reviewed and discussed with the Company with regards to the underlying calculations. We have obtained and reviewed (i) the product mix and the estimated number of units of the relevant CKDs and automobile components to be purchased by the Group from the Geely Holding Group for each of the three years ending 31 December 2023; (ii) the projected sales volume of the vehicles to be equipped with the CKDs and automobile components to be procured from the Geely Holding Group for each of the three years ending 31 December 2023 and the corresponding demand for the relevant CKDs and automobile components; (iii) the cost components and the estimated manufacturing cost of the relevant CKDs and automobile components for each of the vehicle model for the three years ending 31 December 2023; and (iv) the Purchase Pricing Analysis Report.

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From our review of the aforesaid documents and discussion with the management of the Group, we have taken into consideration the following in assessing the fairness and reasonableness of the Proposed Revised Annual Caps:

- the higher amount of the Proposed Revised Annual Caps as compared to the Original Annual Caps were mainly attributable to the estimated increase in demand of the CKDs and automobile components for the ZEEKR-branded vehicles to be sold by 2023 taking into consideration the strong market feedback during the pre-sale stage;
- the cost schedule of the relevant CKDs and automobile components comprises the cost components including but not limited to raw materials, direct labour, manufacturing overhead, administration expenses in determining the unit purchase prices of the relevant CKDs and automobile components;
- the projected sale volume of the vehicles to be equipped with the CKDs and automobile components to be procured from the Geely Holding Group for each of the three years ending 31 December 2023 in particular that for the ZEEKR-branded vehicles to be launched by 2023 was estimated after taken into account the maturity and development trend of the market segment of each vehicle model and the life cycle curve for such model in determining the projected sales volume during the product life cycle; and
- the margin rate adopted by the Group in calculating the unit purchase prices of the relevant CKDs and automobile components in the purchase budget in respect of the CKDs and Automobile Components Purchase Transactions for the three years ending 31 December 2023 (the “**Purchase Margin Rate**”) was equivalent to the reference rate set out in the Purchase Pricing Analysis Report (as elaborated below).

Pursuant to the pricing term stipulated in the Supplemental Master CKDs and Automobile Components Purchase Agreement, when estimating the Proposed Revised Annual Caps under the Supplemental Master CKDs and Automobile Components Purchase Agreement for the three years ending 31 December 2023, the Purchase Margin Rate was adopted by the Group with reference to the median of the three-year weighted average cost-plus-margins of the comparable companies producing similar products set out in the Purchase Pricing Analysis Report. Based on our review on the Purchase Pricing Analysis Report furnished by a multinational accounting firm (the “**Independent CPA**”), we noted that the Independent CPA has identified nine companies for the CKDs and Automobile Components Purchase Transactions (the “**Purchase Relevant Companies**”) that are principally engaged in contract manufacturing of automobile components and parts. As referred to in the Purchase Pricing Analysis Report, the weighted average cost-plus margins of the Purchase Relevant Companies were computed based on their respective public financial information for the three consecutive financial years preceding the effective date of the Purchase Pricing Analysis Report. The Purchase Margin Rate was equivalent to the median of the aforesaid weighted average cost-plus margins of the Purchase Relevant Companies.

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### *Our view*

Based on the above, we concur with the Directors' view that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to increase the Original Annual Caps to the Proposed Revised Annual Caps at the proposed levels. However, as the Proposed Revised Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2023, we express no opinion as to how closely the CKDs and Automobile Components Purchase Transactions shall correspond to the Proposed Revised Annual Caps.

### **6. Requirements by the Listing Rules regarding the Continuing Connected Transactions**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, each of the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) Each year the independent non-executive Directors must review each of the Continuing Connected Transactions and confirm in the annual report and accounts that they 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 relevant agreement governing them on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.
- (b) Each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that each of the Continuing Connected Transactions:
  - has not been approved by the Board;
  - were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
  - were not entered into, in all material respects, in accordance with the terms of the respective agreements of each of the Continuing Connected Transactions; and
  - have exceeded the respective annual caps.
- (c) The Company must allow, and ensure that the relevant counter parties to each of the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on each of the Continuing Connected Transactions.

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- (d) The Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above, respectively.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of transaction value by way of the annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the respective agreements of each of the Continuing Connected Transactions and their respective annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of each of the Continuing Connected Transactions and safeguard the interests of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that (i) the Services Agreement, (ii) the Automobile Components Procurement Agreement, (iii) the Volvo Financing Arrangements; and (iv) the Supplemental Master CKDs and Automobile Components Purchase Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms thereof as well as the respective annual caps are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the terms of and the annual caps in relation to (i) the Services Agreement, (ii) the Automobile Components Procurement Agreement, (iii) the Volvo Financing Arrangements; and (iv) the Supplemental Master CKDs and Automobile Components Purchase Agreement.

Yours faithfully,

For and on behalf of

**Ballas Capital Limited**

**Alex Lau**

**Colin Lee**

*Managing Director    Assistant Director*

*Note:* Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2003 and Mr. Colin Lee of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity from 2013 to 2018 and since 2020.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules were as follows:

#### (i) Director's and chief executive's interests and short positions in the shares of the Company

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
<b>Shares</b>				
Mr. Li Shu Fu (Note 1)	Interest in controlled corporations	4,019,478,000	–	40.93
Mr. Li Shu Fu	Personal	23,140,000	–	0.24
Mr. Yang Jian	Personal	6,000,000	–	0.06
Mr. Li Dong Hui, Daniel	Personal	4,504,000	–	0.05
Mr. Gui Sheng Yue	Personal	17,377,000	–	0.18
Mr. An Cong Hui	Personal	7,526,000	–	0.08
Mr. Ang Siu Lun, Lawrence	Personal	4,000,000	–	0.04

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
Mr. Lee Cheuk Yin, Dannis	Personal	900,000	–	0.01
Mr. Wang Yang	Personal	1,000,000	–	0.01

*Note:*

- Proper Glory Holding Inc. (“**Proper Glory**”) and its concert parties in aggregate hold interests of 4,019,478,000 shares, representing approximately 40.93% of the total issued share capital of the Company as at the Latest Practicable Date. Proper Glory is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 21.29% by Geely Group Limited.

**(ii) Director’s and chief executive’s interests and short positions in the derivatives of the Company**

Name of director	Nature of interests	Number or attributable number of shares		Approximate percentage or attributable percentage of shareholding (%)
		Long position	Short position	
<b>Share Options</b>				
Mr. Yang Jian	Personal	3,000,000 ( <i>Note 2</i> )	–	0.03
Mr. Gui Sheng Yue	Personal	13,500,000 ( <i>Note 2</i> )	–	0.14
Mr. Li Dong Hui, Daniel	Personal	14,000,000 ( <i>Note 2</i> )	–	0.14
Mr. An Cong Hui	Personal	22,000,000 ( <i>Note 2</i> )	–	0.22
Mr. Ang Siu Lun, Lawrence	Personal	3,000,000 ( <i>Note 2</i> )	–	0.03
Ms. Wei Mei	Personal	1,000,000 ( <i>Note 1</i> )	–	0.01
Ms. Wei Mei	Personal	7,000,000 ( <i>Note 2</i> )	–	0.07

*Note:*

- The interest relates to share options granted on 23 March 2012 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$4.07 for each Share during the period from 23 March 2012 to 22 March 2022. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of total issued share capital of the Company when the options are exercised is the same as that as the Latest Practicable Date.

2. The interest relates to share options granted on 15 January 2021 by the Company to the Directors. The share options are exercisable at a subscription price of HK\$32.70 for each Share during the period from 15 January 2023 to 14 January 2028. The percentage of shareholding is calculated on the basis that (i) the options are fully exercised; and (ii) the number of total issued share capital of the Company when the options are exercised is the same as that as the Latest Practicable Date.

**(iii) Director's interest and short positions in the securities of the associated corporations of the Company**

Name of director	Name of the associated corporations	Number of shares in the associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
Mr. Li Shu Fu	Proper Glory Holding Inc.	8,929 (Note 1)	–	89.29 (Note 1)
Mr. Li Shu Fu	Geely Group Limited	50,000	–	100
Mr. Li Shu Fu	Zhejiang Geely Holding Group Company Limited	RMB847,000,000 (Note 2)	–	91.08
Mr. Li Shu Fu	Zhejiang Geely Automobile Company Limited	RMB2,031,307,337 (Note 3)	–	71.05
Mr. Li Shu Fu	Shanghai Maple Automobile Company Limited	RMB240,000,000 (Note 4)	–	100
Mr. Li Shu Fu	Zhejiang Haoqing Automobile Manufacturing Company Limited	RMB3,530,000,000 (Note 5)	–	100
Mr. Li Shu Fu	Zhejiang Jirun Automobile Company Limited	US\$7,900,000 (Note 6)	–	1
Mr. Li Shu Fu	Zhejiang Ruhoo Automobile Company Limited	RMB5,216,770 (Note 7)	–	1
Mr. Li Shu Fu	Hunan Geely Automobile Components Company Limited	US\$885,000 (Note 8)	–	1
Mr. Li Shu Fu	ZEEKR Intelligent Technology Holding Limited	RMB742,000,000 (Note 9)	–	32.59

Name of director	Name of the associated corporations	Number of shares in the associated corporations		Approximate percentage of shareholding (%)
		Long position	Short position	
Mr. An Cong Hui	ZEEKR Intelligent Technology Holding Limited	RMB128,000,000 (Note 10)	–	5.62
Mr. Li Dong Hui, Daniel	ZEEKR Intelligent Technology Holding Limited	RMB20,000,000 (Note 11)	–	0.88
Mr. Gui Sheng Yue	ZEEKR Intelligent Technology Holding Limited	RMB10,000,000 (Note 12)	–	0.44

## Notes:

1. Proper Glory Holding Inc. is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 21.29% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu.
2. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
3. Zhejiang Geely Automobile Company Limited (“**Zhejiang Geely**”) is a limited liability company incorporated in the PRC and is owned as to 71.05% by Geely Holding, as to 2.96% by other Mr. Li’s interested entities and as to 25.99% by independent third parties.
4. Shanghai Maple Automobile Company Limited (“**Shanghai Maple**”) is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
5. Zhejiang Haoqing Automobile Manufacturing Company Limited (“**Zhejiang Haoqing**”) is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.
6. Zhejiang Jirun Automobile Company Limited (“**Zhejiang Jirun**”) is a limited liability company incorporated in the PRC and is 1%-owned by Zhejiang Geely.
7. Zhejiang Ruhoo Automobile Company Limited is a limited liability company incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.
8. Hunan Geely Automobile Components Company Limited is a limited liability company incorporated in the PRC and is 1%-owned by Zhejiang Haoqing.
9. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 32.59%-owned by Mr. Li Shu Fu and his associate.

10. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 5.62%-owned by Mr. An Cong Hui, an executive director of the Company, and his associate.
11. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.88%-owned by Mr. Li Dong Hui, Daniel, an executive director of the Company, and his associate.
12. ZEEKR Intelligent Technology Holding Limited is a limited liability company incorporated in the Cayman Islands and is beneficially 0.44%-owned by Mr. Gui Sheng Yue, an executive director of the Company, and his associate.

**(b) Interests and short positions in Shares and underlying Shares of other persons**

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or the chief executives of the Company, the persons, other than the Directors or the chief executives of the Company, who had interests or a short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and any other members of the Group and the amount of each of such persons' interests in such securities, together with any options in respect of such capital, were as follows:

**(i) Substantial Shareholders (as defined in the SFO)**

Name	Nature of interests	Number of shares held		Approximate percentage of shareholding (%)
		Long position	Short position	
Proper Glory Holding Inc. (Note 1)	Beneficial owner	2,636,705,000	–	26.85
Geely Holding (Note 1)	Interest in controlled corporations	4,019,391,000	–	40.93
Geely Group Limited (Note 1)	Beneficial owner	87,000	–	0.001
Zhejiang Geely (Note 2)	Beneficial owner	796,562,000	–	8.11

*Notes:*

1. Proper Glory Holding Inc. (“**Proper Glory**”) is a limited liability company incorporated in the British Virgin Islands and is owned as to 68% by Geely Holding and as to 21.29% by Geely Group Limited. Geely Group Limited is a limited liability company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li Shu Fu. Geely Holding is a limited liability company incorporated in the PRC and is beneficially wholly owned by Mr. Li Shu Fu and his associate.

2. Zhejiang Geely is a limited liability company incorporated in the PRC and is owned as to 71.05% by Geely Holding, as to 2.96% by other Mr. Li's interested entities and as to 25.99% by independent third parties.

Mr. Li Shu Fu is a director of each of Proper Glory, Geely Holding, Zhejiang Geely and Geely Group Limited. Mr. Yang Jian is a director of each of Geely Holding and Zhejiang Geely. Mr. Li Dong Hui, Daniel is a director of each of Geely Holding and Zhejiang Geely. Mr. An Cong Hui is a director of each of Geely Holding and Zhejiang Geely.

Save as disclosed above, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and of any other member of the Group.

### 3. FURTHER INFORMATION CONCERNING DIRECTORS

#### (a) Directors' service agreements

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

#### (b) Competing interests

The Group is principally engaged in the research, production, marketing and sales of vehicles and related automobile components in the PRC. Geely Holding, which is ultimately owned by Mr. Li and his associate, has signed agreements or been in negotiations with local governments in the PRC and other entities to set up production plants for the manufacturing and distribution of Geely-branded vehicles. The potential production and distribution of Geely-branded vehicles by Geely Holding will constitute competing businesses (the "**Competing Businesses**") to those currently engaged by the Group. Mr. Li has undertaken to the Company (the "**Undertaking**") on 20 November 2008 that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, he will, and will procure his associates (other than the Group) to, sell to the Group all of the Competing Businesses and related assets, subject to compliance with applicable requirements of the Listing Rules and other applicable laws and regulations upon terms to be mutually agreed as fair and reasonable. In addition, it is required that Mr. Li informs the Group of all potential Competing Businesses carried out by him or his associates.

In August 2010, Geely Holding completed the acquisition of Volvo Car Corporation, which manufactures Volvo cars, a range of family sedans, wagons and sport utility cars, and has 2,500 dealerships in 100 markets (the "**Volvo Acquisition**"). Although the Group is not a party to the Volvo Acquisition nor in any discussions with Geely Holding to cooperate with Geely Holding in relation to

the Volvo Acquisition, Geely Holding has provided an irrevocable undertaking to the Company on 27 March 2010 to the effect that upon being notified of any decision by the Company pursuant to a resolution approved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to sell to the Group all or any part of the businesses and related assets of the Volvo Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed.

On 10 February 2020, the Company announced that the management of the Company was in preliminary discussions with the management of Volvo Car AB (publ) regarding a possible restructuring through a combination of the businesses of the two companies into a strong global group that could realise synergies in cost structure and new technology development to face the challenges in the future.

On 24 February 2021, the Company announced that it will carry out a series of business combination and collaboration in respect of powertrain, electrification, autonomous driving and operational collaboration with Volvo Car AB (publ) (a company which is indirectly held by Geely Holding as to approximately 97.8% and is the parent company of the Volvo Car Group of companies) maintaining their respective existing independent corporate structures. The Board (including the independent non-executive Directors) is of the view that, through such business combination and collaboration, the major potential competition between the parties has been mitigated. Also, the Geely Holding's Letter of Undertaking made by Geely Holding has now been fully reflected and fulfilled. For details, please refer to the announcement of the Company published on 24 February 2021.

Despite the fact that the Geely Holding Group is principally engaged in similar business activities as the Group, their respective product offerings do not overlap due to different market positioning and target customer base of each brand (see below for details), as such, the Competing Businesses of the Geely Holding Group can be defined and delineated from the business of the Group by different product offerings (i.e. high-end versus economy automobiles) and brand names.

In May 2017, Geely Holding has entered into a heads of agreement for the acquisition of 49.9% equity interests in Proton Holdings Bhd. (the "**Proton Acquisition**"). Proton is a producer of a range of family sedans which is active in the Southeast Asia market and is a potential competitor of the Group. The Proton Acquisition has been completed in October 2017. Although the Group is not a party to the Proton Acquisition, to protect the interests of the Group, Geely Holding has provided an irrevocable undertaking to the Company on 29 November 2017 to the effect that upon being notified of any decision by the Company pursuant to a resolution resolved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to transfer to the Group all or any part of the equity/businesses and related assets of the Proton Acquisition, and such transfer will be subject to the terms and conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed. Although the vehicles being produced by Proton Holdings Bhd. occupy the same market segment as that of the Group, they could be distinguished from the products of the Group in that they are right-hand drive vehicles and are primarily being market to right-hand drive markets in Southeast Asia. The Group is

currently not producing any right-hand drive vehicles and does not possess any right-hand drive models. As such, Proton is considered to be operating in a different market that can be distinguished from the business of the Group.

***Horizontal competition between the Group and Geely Holding together with corporations controlled by it***

The Group's passenger vehicle products include two major brands, namely, Geely and Geometry. Except for the Group and its subsidiaries, Geely Holding controls the principal businesses of research and development, production and sales of passenger vehicles, and the major passenger vehicle brands include Volvo, LYNK & CO, Lotus, and Polestar. There is no horizontal competition that casts material and adverse impact on the Group between the Group and other corporations such as those passenger vehicle brands controlled by Geely Holding. Details are as follows:

*(1) Volvo*

The Group owns two major brands, namely, Geely and Geometry. Among which, Geely-branded vehicles are mainly sold in the PRC, and some are exported to developing countries in Asia, Eastern Europe and Middle East regions. Geely-branded vehicles are positioned as economy passenger vehicles, while Geometry brand is a pure electric vehicle brand of the Group.

Volvo is a luxurious global manufacture corporation based in Northern Europe, with a high-end brand image worldwide. Volvo's sales regions cover Europe, China, the United States and other major global automobile markets.

Due to the significant differences between the Group and Volvo in terms of product positioning, selling prices and other aspects, complete buildup units of the Group and Volvo target at different consumer groups. As for the automobile products, in general, consumers' decision over purchasing different brands of vehicle would largely be affected by the group they belong to. For consumers, switching between different groups would be relatively difficult and longer period of time would be needed since it usually requires certain accumulation of financial foundation and changes in their awareness, concepts, etc. over consumption. Therefore, the Group is different from Volvo in terms of the consumer group; the manufacture business operated by each party does not constitute a competitive relationship, and the possibility of mutually or unilaterally transferring business opportunities is small.

Having a history of nearly a century, Volvo brand has long been reputed as the "safest vehicle", shaping a high-end brand image throughout the world. The high-end image and product reputation of Volvo, being a corporation which, together with the Group, is controlled by Geely Holding, play an active and positive role in enhancing the brand image and market recognition of the Group and are beneficial to the enhancement of market awareness of the Group. Also, the Group and Volvo, both being a manufacture corporation focusing on passenger vehicle as its main product, create certain synergy effects in the research and development of related technology of complete buildup units and prospective technology.

Leveraging the synergies in research and development with Volvo, the Group has the opportunity to learn and acquire Volvo's technology accumulated over the years, which in turn will help promote the enhancement of the Company's technological capability.

(2) *LYNK & CO*

LYNK & CO, being a mid- to high-end brand established through joint venture among Zhejiang Jirun, Geely Holding and VCI, adopts a more premium product positioning than the Group's economy passenger vehicles; LYNK & CO targets younger users in pursuit of a stronger sense of fashion and technology as its customer base, representing certain discrepancy with the Group's brand positioning of popularization and target customer base.

As at the Latest Practicable Date, the Group held 50% equity interests in LYNK & CO. It has appointed 2 of the 4 directors to LYNK & CO and participated in the corporate governance of LYNK & CO. It has joint control over LYNK & CO and has stronger influence over decision-making on LYNK & CO's material events. Therefore, if LYNK & CO's material events may have a material adverse effect on the Group, the Group can avoid such material adverse effect through the shareholder's rights entitled and the directors appointed by it in LYNK & CO.

(3) *Other brands that are controlled by Geely Holding*

Lotus

Lotus is a manufacture brand under Lotus Advance Technologies Sdn. Bhd., which is controlled by Geely Holding. As at the Latest Practicable Date, Geely Holding indirectly holds 51% equity interests in Lotus Advance Technologies Sdn. Bhd. and controls Lotus Advance Technologies Sdn. Bhd.

Lotus is a well-known manufacturer of sports car and racing car. Its passenger vehicle products are mainly high-performance sports cars and racing cars, which display significant difference from the economic passenger vehicles of the Group in terms of product positioning. Since the target consumer groups of Lotus and the Group are mainly different, the manufacture business operated by each party does not constitute a competitive relationship, and the possibility of mutually or unilaterally transferring business opportunities is small.

Although the Group is not a party to the Lotus acquisition, to protect the interests of the Group, Geely Holding has provided an irrevocable undertaking to the Company in November 2017 to the effect that upon being notified of any decision by the Company pursuant to a resolution resolved by a majority of the independent non-executive Directors, Geely Holding will, and will procure its associates (other than the Group) to transfer to the Group all or any part of the equity/businesses and related assets of the Lotus acquisition, and such transfer will be subject to the terms and

conditions being fair and reasonable, and being in compliance with applicable requirements of the Listing Rules, other applicable laws and regulations and other necessary approvals and consents on terms to be mutually agreed.

#### Polestar

Polestar is a manufacture brand under Polestar Automobile (Shanghai) Company Limited, which is controlled by the controlling shareholder of the Company, Geely Holding. VCI, a subsidiary of Geely Holding, holds 100% equity interests in Polestar Automobile (Shanghai) Company Limited.

The positioning of Polestar is high-performance electric vehicle. As at the Latest Practicable Date, Polestar has released the pricing for two vehicle models, which were much higher than the range of pricing set by the Geely brand and Geometry brand of the Group. Significant difference is shown with the products of the Group in terms of the target consumers group.

Businesses controlled by controlling shareholders, such as Lotus and Polestar, are significantly different from the Group in terms of product positioning, target consumer group, etc. such that no competitive relationship is constituted with the Group, and the possibility of mutually or unilaterally transferring business opportunities is small.

***No horizontal competition was found between the Group and other enterprises (other than the controlling shareholders) controlled by the actual controller***

Save as disclosed above, as at the Latest Practicable Date, neither Mr. Li nor his associate engaged in the research and development, production or sales of passenger vehicle business which is the same or similar to that of the Group, and no horizontal competition was found between them and the Group.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors nor any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### **(c) Directors' interests in assets, contracts or arrangements**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group.

***Joint venture framework agreement between the Company and Geely Holding***

Pursuant to the joint venture framework agreement dated 23 March 2021, the Company and Geely Holding agreed to form a joint venture company pursuant to which the Company and Geely Holding will subscribe for 51% (representing RMB1.02 billion) and 49% (representing RMB980 million), respectively, of the total shares issued by the joint venture company;

***Disposal agreement among ZEEKR, Value Century, Zhejiang Fulin and Shanghai Maple***

Pursuant to the disposal agreement dated 28 April 2021, Value Century, Zhejiang Fulin and Shanghai Maple agreed to sell, their respective 91%, 8% and 1% equity interest(s) in ZEEKR Shanghai, and ZEEKR agreed to acquire the 100% equity interests in ZEEKR Shanghai through its indirect wholly foreign-owned subsidiary, for a cash consideration of approximately RMB980.4 million in total.

***Acquisition agreement between ZEEKR Shanghai and Geely Holding Automobile***

Pursuant to the acquisition agreement dated 28 April 2021, ZEEKR Shanghai agreed to acquire, and Geely Holding Automobile agreed to sell, the entire registered capital of ZEEKR Automobile, for a cash consideration of approximately RMB485.3 million.

***Acquisition agreement between Zhejiang Jirun and 吉利長興新能源汽車有限公司 (Geely Changxing New Energy Automobile Company Limited\* or “Changxing New Energy”)***

Pursuant to the acquisition agreement dated 13 May 2021, Zhejiang Jirun agreed to acquire, Changxing New Energy agreed to sell, the entire registered capital of 長興吉利汽車部件有限公司 (Changxing Geely Automobile Components Company Limited\*), for a cash consideration of approximately RMB2,534.7 million.

***Acquisition agreement between ZEEKR and Zhejiang Geely***

Pursuant to the acquisition agreement dated 2 July 2021, ZEEKR agreed to acquire through a subsidiary, Zhejiang Geely agreed to sell, the 100% of the equity interests in CEVT for a cash consideration of approximately SEK1,057.8 million.

***Acquisition agreement between ZEEKR and Geely Holding Automobile***

Pursuant to the acquisition agreement dated 2 July 2021, ZEEKR agreed to acquire through a subsidiary, Geely Holding Automobile agreed to sell, the 30% of the equity interests in Haohan Energy for a cash consideration of approximately RMB9.0 million.

***Subscription agreement among ZEEKR, Zhejiang Jichuang and Ningbo Viridi***

Pursuant to the subscription agreement dated 2 July 2021, ZEEKR agreed to subscribe through a subsidiary for additional capital in Ningbo Viridi at a cash consideration of approximately RMB860.7 million.

***Subscription agreement among the Company, ECARX and ECARX stakeholders***

Pursuant to the subscription agreement dated 7 September 2021, the Company agreed to subscribe for (directly or through its designated affiliate), and ECARX agreed to issue and allot 4,321,521 series B preference shares for a cash consideration of approximately US\$50 million.

***Assets transfer agreement between the Company and Geely Holding***

Pursuant to the assets transfer agreement dated 15 October 2021, (i) the Group agreed to purchase and the Geely Holding Group agreed to sell the assets (which comprise predominantly equipment for use in the Group's research and development for the LYNK & CO-branded, ZEEKR-branded and Geely-branded vehicles related products such as vehicles engines and transmissions, as well as a small amount of office equipment and software system) for a maximum cash consideration of approximately RMB632.8 million; and (ii) the Group agreed to sell and the Geely Holding Group agreed to purchase the assets (which comprise vehicle testing related machinery and equipment which are idle for use) for a maximum cash consideration of approximately RMB357.9 million.

***Share purchase agreement between the Company and Geely Group Limited***

Pursuant to the share purchase agreement dated 29 October 2021, the Company or its nominee (which will be a subsidiary of the Company), agreed to purchase, and Geely Group Limited agreed to sell, the 220,000,000 ordinary shares of ZEEKR, for a total consideration of approximately RMB5,602.2 million.

Save for disclosed in this circular and below, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is material in relation to the business of the Group.

***Automobile parts supply agreement among the Company, Geely Holding and LYNK & CO (the automobile parts supply agreement has an effective term from 1 January 2019 to 31 December 2021)***

Pursuant to the automobile parts supply agreement dated 5 October 2018, the Group agreed to supply automobile parts and components to the Geely Holding Group and LYNK & CO Group with the largest annual cap being RMB247.2 million for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the automobile parts supply agreement are over 0.1% but less than 5% on an annual basis, the automobile parts supply agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

***Business travel services agreement between the Company and Geely Holding (the business travel services agreement has an effective term from 1 January 2019 to 31 December 2021)***

Pursuant to the business travel services agreement dated 5 October 2018, the Geely Holding Group agreed to provide business travel and related services to the Group with the largest annual cap being RMB661.6 million for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the business travel services agreement are over 0.1% but less than 5% on an annual basis, the business travel services agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

***Electric vehicle CKD supply agreement between the Company and Geely Holding (the electric vehicle CKD supply agreement has an effective term from 1 January 2019 to 31 December 2021)***

Pursuant to the electric vehicle CKD supply agreement dated 5 October 2018 (the “**Zhidou EV CKD Supply Agreement**”), the Group agreed to sell to the Geely Holding Group electric vehicle CKDs in accordance with the product specifications set out in the electric vehicle CKD supply agreement with the largest annual cap being RMB3,270.2 million for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the Zhidou EV CKD Supply Agreement are over 0.1% but less than 5% on an annual basis, the Zhidou EV CKD Supply Agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

***Warehouse services agreement between the Company and LYNK & CO (the warehouse services agreement has an effective term from 1 January 2019 to 31 December 2021)***

Pursuant to the warehouse services agreement dated 5 October 2018, the Group agreed to provide warehouse services for the after-sales parts and other automobile components to the LYNK & CO Group with the largest annual cap being RMB182.9 million for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the warehouse services agreement are over 0.1% but less than 5% on an annual basis, the warehouse services agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

***Services agreement between the Company and Geely Holding (the services agreement has an effective term from 1 January 2019 to 31 December 2021)***

- *Sales of CKDs from the Group to the Geely Holding Group*

Pursuant to the services agreement dated 5 October 2018, the Group agreed to supply to the Geely Holding Group the CKDs manufactured by the Group with the largest annual cap being RMB293,775.4 million for the three years ending 31 December 2021.

- *Sales of CBUs, automobile parts and component from the Geely Holding Group to the Group*

Pursuant to the services agreement, the Geely Holding Group agreed to sell to the Group the CBUs, automobile parts and components to the Group with the aggregate largest annual cap being RMB362,984.2 million for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the services agreement are higher than 5% on an annual basis, the services agreement is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the services agreement was held on 7 December 2018 and the services agreement was duly approved by the then Independent Shareholders.

***Electric vehicle agreement among the Company, Geely Holding and Geely Technology Group Limited (formerly known as Geely Group Company Limited ("GTGL" together with its subsidiaries, collectively the "GTGL Group") (the electric vehicle agreement has an effective term from 1 January 2019 to 31 December 2021)***

Pursuant to the electric vehicle agreement dated 5 October 2018, the Group agreed to sell the CBUs of electric vehicles to the Geely Holding Group and the GTGL Group with the largest annual cap being RMB22,060.7 million for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the electric vehicle agreement are higher than 5% on an annual basis, the electric vehicle agreement is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Shareholders' meetings in respect of the electric vehicle agreement was held on 7 December 2018 and the electric vehicle agreement was duly approved by the then Independent Shareholders.

***Automobile components procurement agreement between the Company and Geely Holding (the automobile components procurement agreement has an effective term from 1 January 2019 to 31 December 2021)***

Pursuant to the automobile components procurement agreement dated 5 October 2018, the Group agreed to procure automobile components manufactured by and from the Geely Holding Group with the largest annual cap being RMB33,591.6 million for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the automobile components procurement agreement are higher than 5% on an annual basis, the automobile components procurement agreement is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meetings in respect of the automobile components procurement agreement was held on 7 December 2018 and the automobile components procurement agreement was duly approved by the then Independent Shareholders.

***EV finance cooperation agreement between Genius AFC and Geely Holding (the EV finance cooperation agreement has an effective term from 1 January 2019 to 31 December 2021)***

- *Wholesale facility agreements between Genius AFC and the EV Dealers (as defined in the circular of the Company dated 20 November 2018) (the wholesale facility agreements have an effective term from 1 January 2019 to 31 December 2021)*

Pursuant to the EV finance cooperation agreement dated 5 October 2018, Genius AFC agreed to enter into the wholesale facility agreements with the EV Dealers to provide vehicle financing to the EV Dealers to facilitate their purchase of Geely EVs (as defined in the circular of the Company dated 20 November 2018) with the largest annual cap being RMB5,406.0 million for the three years ending 31 December 2021.

- *Retail loan cooperation agreements between Genius AFC and the EV Dealers (as defined in the circular of the Company dated 20 November 2018) (the retail loan cooperation agreements have an effective term from 1 January 2019 to 31 December 2021)*

Pursuant to the EV finance cooperation agreement dated 5 October 2018, Genius AFC agreed to enter into the retail loan cooperation agreements with the EV Dealers pursuant to which the EV Dealers shall recommend the retail consumers to use Genius AFC for obtaining

vehicle loans to finance their purchase of Geely EVs (as defined in the circular of the Company dated 20 November 2018) with the largest annual cap being RMB4,834.0 million for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the EV finance cooperation agreement are higher than 5% on an annual basis, the EV finance cooperation agreement is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the EV finance cooperation agreement was held on 7 December 2018 and the EV finance cooperation agreement was duly approved by the then Independent Shareholders.

***2019 CBUs sales agreement between the Company and Geely Holding (the 2019 CBUs sales agreement has an effective term from 1 January 2020 to 31 December 2021)***

Pursuant to the 2019 CBUs sales agreement dated 26 November 2019, the Group agreed to supply to the Geely Holding Group the CBUs and related after-sales parts, components and accessories manufactured by the Group with the largest annual cap being RMB2,628.6 million for the two years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the 2019 CBUs sales agreement are over 0.1% but less than 5% on an annual basis, the 2019 CBUs sales agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

***2019 operation services agreement among the Company, Geely Holding and LYNK & CO (the 2019 operation services agreement has an effective term from 26 November 2019 to 31 December 2021)***

Pursuant to the 2019 operation services agreement dated 26 November 2019, the Group agreed to provide to the Geely Holding Group and the LYNK & CO Group, operation services that mainly include IT, logistics, finance, human resources and other administrative functions with the largest annual cap being RMB1,964.5 million and the Group agreed to procure from the Geely Holding Group operation services that mainly include manufacturing engineering services, construction management services and other engineering services with the largest annual cap being RMB269.5 million for the three years ending 31 December 2021.

As the applicable percentage ratios of the continuing connected transactions contemplated under the 2019 operation services agreement are over 0.1% but less than 5% on an annual basis, the 2019 operation services agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

***Master CKDs and automobile components sales agreement between the Company and Geely Holding (the master CKDs and automobile components sales agreement has an effective term from 1 January 2021 to 31 December 2023)***

Pursuant to the master CKDs and automobile components sales agreement dated 4 November 2020, the Group agreed to 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 with the largest annual cap being RMB12,027.0 million for the three years ending 31 December 2023.

As one or more of the applicable percentage ratios of the proposed annual caps under the master CKDs and automobile components sales agreement exceed 5% on an annual basis, the proposed annual caps under the master CKDs and automobile components sales agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the master CKDs and automobile components sales agreement was held on 22 December 2020 and the master CKDs and automobile components sales agreement was duly approved by the then Independent Shareholders.

***Master CKDs and automobile components purchase agreement between the Company and Geely Holding (the master CKDs and automobile components purchase agreement has an effective term from 1 January 2021 to 31 December 2023)***

Pursuant to the master CKDs and automobile components purchase agreement dated 4 November 2020, the Group agreed to purchase CKDs and automobile components under the Geely brand from the Geely Holding Group with the largest annual cap being RMB26,346.8 million for the three years ending 31 December 2023.

As one or more of the applicable percentage ratios of the proposed annual caps under the master CKDs and automobile components purchase agreement exceed 5% on an annual basis, the proposed annual caps under the master CKDs and automobile components purchase agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the master CKDs and automobile components purchase agreement was held on 22 December 2020 and the master CKDs and automobile components purchase agreement was duly approved by the then Independent Shareholders.

***The new powertrain sales agreement among the Company, Geely Holding and LYNK & CO (the new powertrain sales agreement has an effective term from 1 January 2021 to 31 December 2023)***

Pursuant to the new powertrain sales agreement dated 4 November 2020, the Group agreed to sell vehicle engines, transmissions and related after-sales parts to the Geely Holding Group and the LYNK & CO Group with the largest annual cap being RMB18,232.5 million for the three years ending 31 December 2023.

As one or more of the applicable percentage ratios of the proposed annual caps under the new powertrain sales agreement exceed 5% on an annual basis, the proposed annual caps under the new powertrain sales agreement are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the new powertrain sales agreement was held on 22 December 2020 and the new powertrain sales agreement was duly approved by the then Independent Shareholders.

***Automobile financing arrangements with an effective terms from 1 January 2021 to 31 December 2023***

***LYNK & CO financing arrangements – LYNK & CO finance cooperation agreement between Genius AFC and LYNK & CO Sales with an effective term from 1 January 2021 to 31 December 2023***

Pursuant to the LYNK & CO finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the LYNK & CO Dealers (as defined in the circular of the Company dated 30 November 2020) and LYNK & CO Retail Customers (as defined in the circular of the Company dated 30 November 2020), 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. The largest annual cap for the LYNK & CO wholesale financing arrangements is RMB1,125.0 million for the three years ending 31 December 2023. The largest annual cap for the LYNK & CO retail financing arrangements is RMB17,149.7 million for the three years ending 31 December 2023.

***Fengsheng financing arrangements – Fengsheng finance cooperation agreement between Genius AFC and Fengsheng Sales with an effective term from 1 January 2021 to 31 December 2023***

Pursuant to the Fengsheng finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the Fengsheng Retail Customers (as defined in the circular of the Company dated 30 November 2020) to assist them to purchase Maple-branded vehicles. The largest annual cap for the Fengsheng finance cooperation agreement is RMB241.0 million for the three years ending 31 December 2023.

***Geely Holding financing arrangements – Geely Holding finance cooperation agreement between Genius AFC and Geely Holding with an effective term from 1 January 2021 to 31 December 2023***

Pursuant to the Geely Holding finance cooperation agreement dated 4 November 2020, Genius AFC agreed to provide vehicle financing services to the Geely Retail Customers (as defined in the circular of the Company dated 30 November 2020) to assist them to purchase (a) vehicles under brands owned by Geely Holding from the Geely Holding Dealers (as defined in the circular of the Company dated 30 November 2020); or (b) Geely Branded Vehicles from the Connected Geely Dealers (as defined in the circular of the Company dated 30 November 2020). The largest annual cap for the Geely Holding finance cooperation agreement is approximately RMB606.5 million for the three years ending 31 December 2023.

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, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the automobile financing arrangements was held on 22 December 2020 and the automobile financing arrangements were duly approved by the then Independent Shareholders.

***ZEEKR operation services agreement between the Company and ZEEKR (the ZEEKR operation services agreement has an effective term from 2 July 2021 to 31 December 2023)***

Pursuant to the ZEEKR operation services agreement dated 2 July 2021, the Group agreed to provide to the ZEEKR Group operation services that mainly include IT, logistics, procurement, finance, human resources and other administrative functions with the largest annual cap being RMB248.2 million for the three years ending 31 December 2023.

As the applicable percentage ratios of the continuing connected transactions contemplated under the ZEEKR operation services agreement are over 0.1% but less than 5% on an annual basis, the ZEEKR operation services agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

***R&D services and technology licensing agreement among the Company, Geely Holding and LYNK & CO (the R&D services and technology licensing agreement has an effective term from its effective date to 31 December 2023)***

Pursuant to the R&D services and technology licensing agreement dated 2 July 2021, (i) the Group agreed to provide to the Geely Holding Group and LYNK & CO Group R&D and related technological support services with the largest annual cap being RMB10,053.1 million for the three years ending 31 December 2023; and (ii) the Group agreed to procure from the Geely Holding Group R&D and related technological support services with the largest annual cap being RMB4,364.0 million for the three years ending 31 December 2023.

As the applicable percentage ratios of the continuing connected transactions contemplated under the R&D services and technology licensing agreement are more than 5% on an annual basis, the R&D services and technology licensing agreement is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the R&D services and technology licensing agreement was held on 24 August 2021 and the R&D services and technology licensing agreement was duly approved by the then Independent Shareholders.

***Automobile components sales agreement among the Company, Geely Holding and LYNK & CO (the automobile components sales agreement has an effective term from its effective date to 31 December 2023)***

Pursuant to the automobile components sales agreement dated 2 July 2021, the Group agreed to sell, and the Geely Holding Group and LYNK & CO Group agreed to procure, automobile components with the largest annual cap being RMB24,644.7 million for the three years ending 31 December 2023.

As the applicable percentage ratios of the continuing connected transactions contemplated under the automobile components sales agreement are more than 5% when aggregated with the automobile components procurement agreement between the Company and ZEEKR on an annual basis, the automobile components sales agreement is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the automobile components sales agreement was held on 24 August 2021 and the automobile components sales agreement was duly approved by the then Independent Shareholders.

***Automobile components procurement agreement between the Company and ZEEKR (the automobile components procurement agreement has an effective term from its effective date to 31 December 2023)***

Pursuant to the automobile components procurement agreement dated 2 July 2021, the Group agreed to procure, and the ZEEKR Group agreed to supply, automobile components with the largest annual cap being RMB1,410.6 million for the three years ending 31 December 2023.

As the applicable percentage ratios of the continuing connected transactions contemplated under the automobile components procurement agreement are more than 5% when aggregated with the automobile components sales agreement among the Company, Geely Holding and LYNK & CO on an annual basis, the automobile components procurement agreement is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shareholders' meeting in respect of the automobile components procurement agreement was held on 24 August 2021 and the automobile components procurement agreement was duly approved by the then Independent Shareholders.

***ZEEKR financing arrangements – ZEEKR finance cooperation agreement between Genius AFC and ZEEKR with an effective term from its effective date to 31 December 2023***

Pursuant to the ZEEKR finance cooperation agreement dated 2 July 2021, Genius AFC agreed to provide vehicle financing services to the ZEEKR Retail Customers (as defined in the circular of the Company dated 4 August 2021) to assist them to purchase ZEEKR-branded vehicles. The largest annual cap under the ZEEKR finance cooperation agreement is approximately RMB12,715.9 million for the three years ending 31 December 2023.

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

The Shareholders' meeting in respect of the ZEEKR finance cooperation agreement was held on 24 August 2021 and the ZEEKR finance cooperation agreement was duly approved by the then Independent Shareholders.

***CBUs sales agreement between the Company and the Geely Holding (the CBUs sales agreement has an effective term from 1 January 2022 to 31 December 2024)***

Pursuant to the CBUs sales agreement dated 15 October 2021, the Group agreed to sell CBUs and related after-sales parts and accessories manufactured by the Group to the Geely Holding Group with the largest annual cap being RMB4,244.3 million for the three years ending 31 December 2024.

As the applicable percentage ratios of the continuing connected transactions contemplated under the CBUs sales agreement are over 0.1% but less than 5% on an annual basis, the CBUs sales agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

***Operation services agreement among the Company, Geely Holding and LYNK & CO (the operation services agreement has an effective term from 1 January 2022 to 31 December 2024)***

Pursuant to the operation services agreement dated 15 October 2021, (i) the Group agreed to provide to the Geely Holding Group and LYNK & CO Group operation services that mainly include but not limited to IT, logistics, supplier quality engineering services, construction management services, manufacturing engineering, procurement services and other administrative services with the largest annual cap being RMB2,708.3 million for the three years ending 31 December 2024; and (ii) the Group agreed to procure from the Geely Holding Group and LYNK & CO Group operation services that mainly include but not limited to business travel services and after-sales services with the largest annual cap being RMB484.6 million for the three years ending 31 December 2024.

As the applicable percentage ratios of the continuing connected transactions contemplated under the operation services agreement are over 0.1% but less than 5% on an annual basis, the operation services agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

**(d) Director's Service Contracts**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**4. LITIGATION**

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company.

## 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited accounts of the Company have been made up.

## 6. QUALIFICATION OF EXPERT

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

<b>Name</b>	<b>Qualification</b>
Ballas Capital Limited	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, Ballas Capital Limited:

- (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2020, the date to which the latest audited financial statements of the Group was made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group during the two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the disposal agreement dated 26 November 2019 entered into among Zhejiang Jirun, Shanghai Maple and Geely Holding Automobile pursuant to which Zhejiang Jirun and Shanghai Maple agreed to sell and Geely Holding Automobile agreed to acquire the entire registered capital of 濟南吉利汽車有限公司 (Jinan Geely Automobile Company Limited\*) for a cash consideration of approximately RMB507.1 million;
- (ii) the subscription agreement dated 27 November 2019 entered into among the Company, Barclays Bank PLC, BNP Paribas, Merrill Lynch (Asia Pacific) Limited, The Hong Kong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Bank of China Limited,

- Singapore Branch, CLSA Limited, DBS Bank Limited and Standard Chartered Bank in relation to the issue of US\$500 million senior perpetual capital securities, raising gross proceeds of approximately US\$498.2 million;
- (iii) the placing agreement dated 29 May 2020 entered into between the Company and the placing agents pursuant to which the Company agreed to appoint the placing agents, and the placing agents agreed to act (on a several but not joint nor joint and several basis) as placing agents for procuring, on a best effort basis, as agents of the Company, places for 600,000,000 placing shares at the placing price of HK\$10.8 per placing share, raising net proceeds of approximately HK\$6,447 million;
  - (iv) the disposal agreement dated 9 July 2020 entered into between the Company and Geely Holding pursuant to which the Group agreed to sell and the Geely Holding Group agreed to acquire the entire registered capital of 成都高原汽車工業有限公司 (Chengdu Gaoyuan Automobile Industries Company Limited\*) for a net cash consideration of approximately RMB76.3 million;
  - (v) the disposal agreement dated 9 July 2020 entered into between Zhejiang Jirun and Geely Holding Automobile pursuant to which Zhejiang Jirun agreed to sell and Geely Holding Automobile agreed to acquire the entire registered capital of 寧波北侖吉利汽車製造有限公司 (Ningbo Beilun Geely Automotive Manufacturing Co. Ltd.\*) for a cash consideration of approximately RMB729.4 million;
  - (vi) the disposal agreement dated 9 July 2020 entered into between Zhejiang Jirun and Zhejiang Jichuang pursuant to which Zhejiang Jirun agreed to sell and Zhejiang Jichuang agreed to acquire the entire registered capital of 寧波吉寧汽車零部件有限公司 (Ningbo Jining Automobile Components Co. Ltd.\*) for a cash consideration of approximately RMB30.5 million;
  - (vii) the assets acquisition agreement dated 20 November 2020 entered into between the Company and Geely Holding 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;
  - (viii) the framework agreement dated 23 March 2021 entered into between the Company and Geely Holding in relation to the formation of a joint venture company pursuant to which the Company and Geely Holding will subscribe for 51% (representing RMB1.02 billion) and 49% (representing RMB980 million), respectively, of the total shares issued by the joint venture company;
  - (ix) the disposal agreement dated 28 April 2021 entered into among ZEEKR, Value Century, Zhejiang Fulin and Shanghai Maple in relation to the disposal of ZEEKR Shanghai pursuant to which, Value Century, Zhejiang Fulin and Shanghai Maple agreed to sell, their respective 91%, 8% and 1% equity interest(s) in ZEEKR Shanghai, and ZEEKR agreed to acquire the 100% equity interests in ZEEKR Shanghai through its indirect wholly foreign-owned subsidiary, for a cash consideration of approximately RMB980.4 million in total;

- (x) the acquisition agreement dated 28 April 2021 entered into between ZEEKR Shanghai and Geely Holding Automobile in relation to the acquisition of the entire registered capital of ZEEKR Automobile, pursuant to which ZEEKR Shanghai agreed to acquire, and Geely Holding Automobile agreed to sell, the entire registered capital of ZEEKR Automobile for a consideration of approximately RMB485.3 million;
- (xi) the acquisition agreement dated 13 May 2021 entered into between Zhejiang Jirun and Changxing New Energy in relation to the entire registered capital of Changxing Components for a cash consideration of approximately RMB2,534.7 million;
- (xii) the acquisition agreement dated 2 July 2021 entered into between ZEEKR and Zhejiang Geely, in relation to the acquisition of 100% equity interests in CEVT for a cash consideration of approximately SEK1,057.8 million;
- (xiii) the acquisition agreement dated 2 July 2021 entered into between ZEEKR and Geely Holding Automobile, in relation to the acquisition of 30% equity interests in Haohan Energy for a cash consideration of approximately RMB9.0 million;
- (xiv) the subscription agreement dated 2 July 2021 entered into among ZEEKR, Zhejiang Jichuang and Ningbo Viridi in relation to the subscription for additional capital in Ningbo Viridi at a cash consideration of approximately RMB860.7 million;
- (xv) the subscription agreement dated 7 September 2021 entered into among the Company, ECARX and ECARX stakeholders in relation to the subscription for 4,321,521 series B preference shares for a cash consideration of approximately US\$50 million;
- (xvi) the assets transfer agreement dated 15 October 2021 entered into between the Company and Geely Holding pursuant to which (i) the Group agreed to purchase and the Geely Holding Group agreed to sell the assets (which comprise predominantly equipment for use in the Group's research and development for the LYNK & CO-branded, ZEEKR-branded and Geely-branded vehicles related products such as vehicles engines and transmissions, as well as a small amount of office equipment and software system) for a maximum cash consideration of approximately RMB632.8 million; and (ii) the Group agreed to sell and the Geely Holding Group agreed to purchase the assets (which comprise vehicle testing related machinery and equipment which are idle for use) for a maximum cash consideration of approximately RMB357.9 million; and
- (xvii) the share purchase agreement dated 29 October 2021 entered into between the Company and Geely Group Limited, in relation to the acquisition of 220,000,000 ordinary shares of ZEEKR for a total consideration of approximately RMB5,602.2 million.

**8. GENERAL**

- (a) The registered office of the Company is situated at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Room 2301, 23rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Cheung Chung Yan, David, a fellow member of the Association of Chartered Certified Accountants.
- (c) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://geelyauto.com.hk>) from the date of this circular up to and including the date of the EGM:

- (a) Services Agreement;
- (b) Automobile Components Procurement Agreement;
- (c) Volvo Finance Cooperation Agreements;
- (d) Supplemental Master CKDs and Automobile Components Purchase Agreement;
- (e) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (f) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (g) the letter from Ballas Capital Limited, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular; and
- (h) the written consent from Ballas Capital Limited referred to in the paragraph headed "Qualification of expert" in this appendix.

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## NOTICE OF EGM

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# GEELY

吉利汽車控股有限公司

## GEELY AUTOMOBILE HOLDINGS LIMITED

*(Incorporated in Cayman Islands with limited liability)*

(Stock code: 175)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Geely Automobile Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at Boardroom 6, M/F, Renaissance Hong Kong Harbour View Hotel, 1 Harbour Road, Wan Chai, Hong Kong on Monday, 6 December 2021 at 4:00 p.m. or at any adjustment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

To consider and, if thought fit, pass with or without amendment, the following resolutions as ordinary resolutions of the Company:

1. “**THAT:**
  - a. the conditional agreement dated 15 October 2021 (the “**Services Agreement**”) entered into between the Company and 浙江吉利控股集團有限公司 (Zhejiang Geely Holding Group Company Limited\*) (“**Geely Holding**”, together with its subsidiaries, the “**Geely Holding Group**”), a copy of which is tabled at the meeting and marked “**A**” and initialed by the chairman of the meeting for identification purpose, pursuant to which, (i) the Group agreed to sell complete knock down kits to the Geely Holding Group; and (ii) the Group agreed to purchase complete buildup units from the Geely Holding Group, be and is hereby approved, ratified and confirmed;
  - b. the annual cap amounts in respect of (i) the sales of complete knock down kits; and (ii) the purchase of complete buildup units for each of the three financial years ending 31 December 2024 be and hereby approved; and
  - c. any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Services Agreement.”
2. “**THAT:**
  - a. the conditional agreement dated 15 October 2021 (the “**Automobile Components Procurement Agreement**”) entered into between the Company and Geely Holding, a copy of which is tabled at the meeting and marked “**B**” and initialed by the chairman of

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the meeting for identification purpose, pursuant to which, the Group agreed to purchase automobile components from the Geely Holding Group, be and is hereby approved, ratified and confirmed;

- b. the annual cap amounts in respect of the purchase of automobile components for each of the three financial years ending 31 December 2024 be and hereby approved; and
- c. any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Automobile Components Procurement Agreement.”

3. **“THAT:**

- a. the renewal of cooperation agreements dated 11 December 2015 entered into between the Genius AFC (as defined in the circular of the Company dated 16 November 2021 (the “**Circular**”)) and VCDC (as defined in the Circular), and between Genius AFC and VCIC (as defined in the Circular) (collectively the “**Volvo Finance Cooperation Agreements**”), copies of which are tabled at the meeting and marked “C” and initialed by the chairman of the meeting for identification purpose, pursuant to which, Genius AFC agreed to supply vehicle financing services to the Volvo Dealers (as defined in the Circular) and Volvo Retail Customers (as defined in the Circular) for their purchase of Volvo-branded vehicles, be and are hereby approved, ratified and confirmed;
- b. the Volvo Annual Caps (Wholesale) (as defined in the Circular) and the Volvo Annual Caps (Retail) (as defined in the Circular) in respect of the maximum new financing amounts to be provided by Genius AFC to Volvo Dealers (as defined in the Circular) and Volvo Retail Customers (as defined in the Circular) respectively as set out in the Circular for each of the three financial years ending 31 December 2024 be and are hereby approved; and
- c. any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to delegate an appropriate officer overseeing the management and operation of Genius AFC to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be necessary, appropriate, desirable or expedient to implement and/or give effects to the Volvo Finance Cooperation Agreements and the Volvo Financing Arrangements (as defined in the Circular).”

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4. **“THAT:**
- a. the conditional agreement dated 15 October 2021 (the **“Supplemental Master CKDs and Automobile Components Purchase Agreement”**) entered into between the Company and Geely Holding, a copy of which is tabled at the meeting and marked **“D”** and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Group agreed to purchase complete knock down kits and automobile components from the Geely Holding Group, be and is hereby approved, ratified and confirmed;
  - b. the annual cap amounts in respect of the purchase of complete knock down kits and automobile components for each of the three financial years ending 31 December 2023 be and hereby approved; and
  - c. any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters and transactions contemplated in the Supplemental Master CKDs and Automobile Components Purchase Agreement.”

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

Hong Kong, 16 November 2021

*Notes:*

- (1) In order to establish entitlements of attending and voting at the forthcoming extraordinary general meeting of the Company to be held on 6 December 2021, the register of members of the Company will be closed from 1 December 2021 to 6 December 2021 (both days inclusive), during such period no transfer of shares of the Company will be registered. All transfers of shares of the Company, accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on 30 November 2021.
- (2) Any shareholder of the Company (the **“Shareholder”**) entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Shareholder.
- (3) In order to be valid, a proxy form in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of authority, must be deposited at the Company’s Hong Kong share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.

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- (4) In case of joint shareholdings, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
- (5) If there is Typhoon Signal No. 8 or above, a “black” rainstorm warning and/or extreme conditions caused by a super typhoon in force in Hong Kong at any time after 1:00 p.m. on the date of the forthcoming extraordinary general meeting, the meeting will be postponed. The Company will publish an announcement on the websites of the Company at (<http://www.geelyauto.com.hk>) and the Stock Exchange at (<http://www.hkexnews.hk>) to notify Shareholders of the date, time and venue of the rescheduled meeting.

*As at the date of this notice, 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, Mr. Wang Yang, Ms. Lam Yin Shan, Jocelyn and Ms. Gao Jie.*